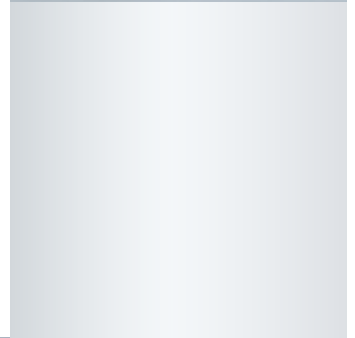


Patria

ANNUAL REVIEW

2015



Content

Patria's Annual Review consists of the Business Units' Review, the Corporate Responsibility Progress Report and a separate Financial Statements Report. These parts complement each other. Patria's Annual Review is published only at the company's website www.patria.fi.

Business	3
Patria briefly	3
Key figures	4
Review by the President and CEO	7
The operating environment	9
Strategy	11
Aviation	13
Land	16
Systems	18
Millog	20
Nammo	22
Responsibility	23
Responsible operations	23
Ethical conduct	25
Good employer	28
Good partner	32
Environmental responsibility	36
Governance	43
Risk management and internal control	43
Offsets	45
Corporate governance	46
Group management	48
Board of Directors	49
Consultative Committee	50
GRI Content Index	51

Patria briefly

Patria is a trusted provider of defence, security and aviation life-cycle support services and technology solutions. Patria has operations and projects in countries such as Finland, Sweden, Norway, Estonia, Poland, USA, United Arab Emirates and South Africa. Versatile duties employ today some 2,800 skilled professionals.

Business units and net sales as a share of group net sales:

ADMINISTRATION ●

Admin, Finance, Marketing, Business Development and Communication

AVIATION ●, AEROSTRUCTURES ●

Extensive life cycle support for aircraft and helicopter fleet management including pilot training. The design and manufacture of composite structures for aircraft and spacecraft.

30%

LAND ●

Armoured wheeled vehicles, mortar systems, ammunition, and life-cycle support services for these products.

19%

SYSTEMS ●

Systems for situational awareness and applications and services supporting critical infrastructure.

7%

MILLOG ●

Patria's subsidiary (61,8%) Millog produces life cycle support services for the Finnish Army and Navy material.

44%

NAMMO ●

Patria's 50% owned Nammo AS focuses on development and provision of ammunition systems, missile and space propulsion products as well as environmentally friendly demilitarisation services.

PATRIA'S VALUES:

We want to succeed
Our operations are customer oriented
Together we create success

Patria's operational sites in Finland:

1. Espoo ●
2. Halli ● ● ●
3. Hamina ●
4. Hattula ●
5. Helsinki ● ●
6. Hämeenlinna ● ●
7. Jyväskylä ●
8. Kajaani ●
9. Kangasala ●
10. Keuruu ●
11. Lappeenranta ●
12. Lapua ●
13. Lievestuore ●
14. Linnavuori ●
15. Lyly ●
16. Malmi ●
17. Niinisalo ●
18. Orivesi ●
19. Oulu ●
20. Pansio ●
21. Pirkkala ●
22. Riihimäki ●
23. Rovaniemi ●
24. Siikakangas ●
25. Sodankylä ●
26. Säkyä ●
27. Tampere ● ● ● ● ● ● ●
28. Tervola ●
29. Tikkakoski ● ●
30. Upinniemi ●
31. Utti ●
32. Vekaranjärvi ●
33. Vihtavuori ●

Locations on the map:

www.patria.fi/en/contact

Key figures

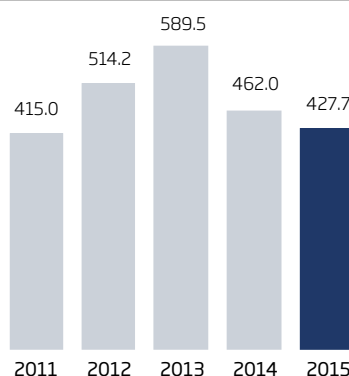
Patria Group's earnings for the financial period 2015 measured up to expectations. As expected, net sales fell, but profitability remained satisfactory.

Net sales
427.7 EUR million

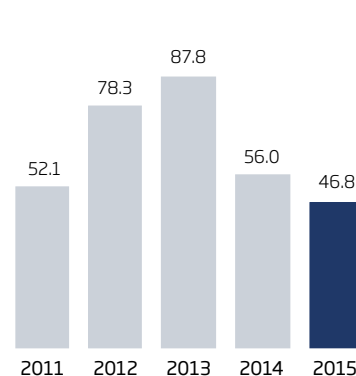
Operating profit
46.8 EUR million

Personnel average
2,806

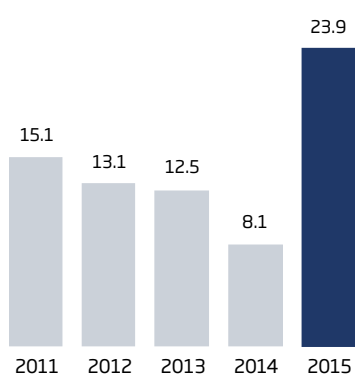
Net sales* EUR million



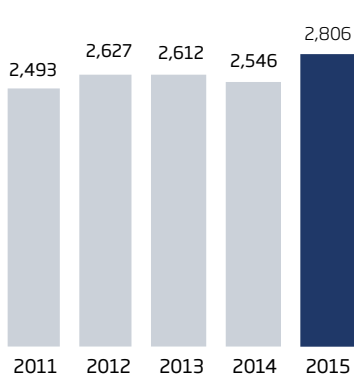
Operating profit* EUR million



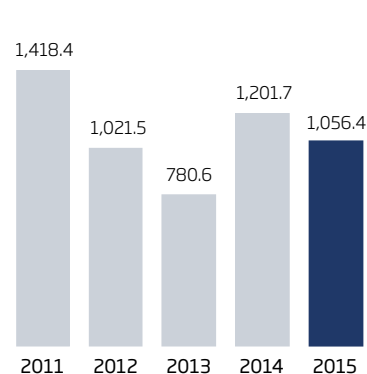
Gross investments in fixed assets* EUR million



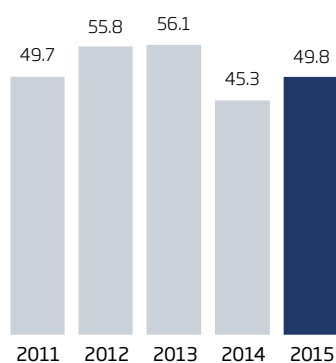
Personnel average*



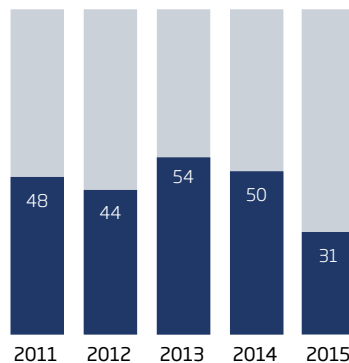
Order stock* EUR million



Equity ratio* %



Net sales outside Finland* %



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

Tax footprint

Patria is subject to corporate income tax in the following countries: Finland, Sweden, Norway, Germany, Poland and South Africa.

Patria does not have operative companies in low taxation countries. Patria's tax strategy is to support business solutions and ensure that they are implemented properly and in a compliant manner also from a taxation perspective. The starting point is compliance with applicable local legislation and handling reporting obligations.

Direct taxes payable for the financial year, EUR million (taxes and tax-like charges paid directly by the company)	Group total
Income taxes (business income taxes)	4.3
Employer contributions (employer's pension and social security contributions, etc.)	4.2
Property taxes	0.2
Other taxes (tonnage, transfer and other such taxes)	0.0
Indirect taxes payable for the financial year, EUR million (taxes paid by the company as part of the price of the service/product and recognised as expenses)	
Other taxes	0.1
Taxes to be remitted for the financial year, EUR million (taxes that the company collects from its customers or employees which it remits to the tax authorities)	
Wage taxes (withholding, employee social security contributions, etc.)	36.8
VAT, sales	98.1
VAT, procurements	71.5

Majority of the taxes are paid in Finland. The figures include the most essential international operations.

Stakeholder-specific capital flows

Direct economic value, EUR million			2012	2013	2014	2015
		Consolidated net sales	736.1	589.5	462.0	427.7
		Other operating income	7.9	27.7	28.5	20.4
		Financial income	1.3	0.4	1.3	0.1
Customers	Sales	Income total	745.3	617.6	492.1	448.2
Suppliers	Goods, materials and services	Operating costs excluding depreciation and personnel expenses	411.0	356.0	265.5	217.3
Personnel	Wages, salaries and fees	Personnel expenses	224.7	156.5	154.7	170.0
Public sector	Taxes	Payments to government (taxes)	6.1	5.9	4.6	4.3
Not-for-profit organisations	Support and donations	Donations and other charitable payments	0.0	0.0	0.0	0.0
		Payments made to shareholders and loan providers				
Shareholders	Dividends	Dividends	10.3	19.0	38.0	13.9
Investors	Financial costs	Interest and other financial expenses	3.7	3.5	2.5	2.5
	Expenses	Distributed, total	655.8	540.9	465.4	408.0
	Sales-expenses = added value	Economic value retained for operational development	89.5	76.7	26.7	40.2
Investments		Investments in tangible and intangible assets as well as acquisitions	31.4	17.7	8.1	23.9

Nammo Group has been consolidated using the equity method starting from 1st of January 2014 instead of the proportionate method line by line used earlier. The comparative information of the year 2013 has been restated to be in line with the new consolidation method. The comparative information based on the previous consolidation method is presented in the Financial Statements Report, which can be read at <http://patria.fi/en/patria/financial/financial-reviews>.

Personnel statistics

Personnel figures	2013	2014	2015
Personnel, on average	2,612	2,546	2,806
Personnel in Finland	2,592	2,436	2,746
Blue collar, %	41	40	45
Salaried, %	22	21	22
Senior salaried, %	37	39	33
Proportion of women, %	17	17	15
Proportion of women in Board of Directors	1/6	1/6	2/5
Proportion of women in Board of Management	1/7	1/7	1/7
Education level	2013	2014	2015
University, %	17	17	14
University of applied sciences, %	33	32	31
Vocational/upper secondary school, %	47	49	53
Basic education, %	3	2	2
Employment	2013	2014	2015
Average age	43.8	44.2	44.9
Length of services, yrs	13.9	14.3	14.8
Personnel turnover, %	2.9	2.4	5.2
Permanent employees, %	92	95	95
Part-time employees, %	2.6	2.4	2.0
Occupational health and safety	2013	2014	2015
Absenteeism attributable to sickness, %	3.9	4.2	4
The frequency of accidents, qty per million work hours*	13	17	19.7
Employer image	2013	2014	2015
Technology students, Universum - Patria's ranking	25	31	33
Working people (technical education) Universum	29	52	26

* The figure is calculated according to the instructions of the Federation of Accident Insurance Institutions (FAII). The figure is based on accidents at work that have brought costs.

The figure does not include occupational diseases nor work trip related accidents.

Foundation for significant changes



During 2015, and its latter half in particular, signs of revival were evident in the defence industry market due to the erosion of global security. At the same time, the global economy continued its decline and increasing competition in many markets prolonged some ongoing tenders.

In the light of our numbers, the results of our Group exceeded budget target, with the revenue on the level of the previous review period. The Company's balance sheet is in rude health. However, with regard to our goals, too much capital remains tied to business operations. What's more, negotiations held at the end of last year regarding new orders have given confidence that this year will be a great year of growth for Patria.

In 2015, we also laid the foundations for significant Group-level changes, the most important of which for the Company is the ownership structure of Patria. In collaboration with the management and board of the company, the state as an owner explored opportunities for finding an industrial partner for Patria and the work progressed as planned. After the financial year in March 2016 the State of Finland sold 49.9 percent of Patria Oyj to Kongsberg Defence & Aerospace AS. The transaction is estimated to be closed during the second quarter of the year.

Another, functionally important, change process involved over 300 new Millog employees becoming part of the Group when both Finnish Army repair shops and Navy maintenance centres were integrated into Millog. The success of the integration has exceeded all expectations.

//

Many projects and partnership projects important for the future of the Company proceeded as planned during the financial year.

Projects progressing on many fronts

Many projects and partnership projects important for the future of the Company proceeded as planned during the financial year. I will highlight a few of them in this review, mainly on the headline level, because they provide an excellent picture of the multinational operation of the Group in the different branches of the defence industry and shed some light on the composition of the result of the financial year.

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

Poland's Ministry of Defence placed an additional order for AMV 8x8 vehicles from Patria's Polish partner, Rosomak S.A.

The National Police Board, Patria, Portalify Oy and Codea Oy signed an agreement for the delivery of a Common Field Command System (KEJO) for all Finnish Public Protection and Disaster Relief (PPDR) authorities.

Patria and the Finnish Defence Forces signed a strategic partnership agreement on the provision of life-cycle services for military aviation systems. It

covers life-cycle support services for the Finnish Defence Forces' military aircraft and aviation systems, for example the F/A-18 Hornet fighters of the Finnish Air Force and the NH90 transport helicopters of the Finnish Army, and related systems.

Patria and RUAG Sweden AB, the subsidiary of the Swiss company RUAG AG, concluded an agreement on the space unit of Patria becoming part of RUAG's extensive space business.

The Kazakhstan Civil Aviation Academy and Patria signed a continuation agreement on the provision of commercial pilot training for a second group of students.

As a result of the closure of Malmi Airport, a decision was made to relocate the Patria Pilot Training flight school to Tampere-Pirkkala Airport and to construct a new training centre there in 2017.

The Finnish Defence Forces will receive the last, i.e. the 20th NH90 helicopter and FMV of Sweden, likewise, their last NH90 helicopter. The initial assembly was completed, and the project will continue as a retrofit project.

We submitted our tender with BAE Systems Australia for armoured reconnaissance vehicles for the Australian Land 400 project.

In the autumn, Patria Helicopters signed a contract for the delivery of NH90 spare parts to the Swedish Armed Forces.

We concluded an agreement with Rauma Marine Constructions regarding collaboration to realise the Squadron 2020 project of the Finnish Defence Forces.

We signed an agreement for the delivery of Patria AMV vehicles to the United Arab Emirates.

Late last year, the Finnish Defence Forces placed an order with us for the upgrade of seven Hawk Mk51 jet trainers' avionics systems.

In December, the Council of State granted us an export licence for exporting 40 vehicles.

Reorganisation of operations

In 2015, the operation of Patria was adjusted to measure up to the extremely difficult market situation in two areas of business.

Patria conducted employee participation negotiations in its Land Services in February. The negotiations involved all



It has taken a lot of patient and responsible work, inside and outside our organisation, to get here.

employees. The need for staff cuts was finalized as 55 clerical workers and 19 employees. In addition, 10 production employees were temporarily laid off at the end of the year.

We conducted employee cooperation negotiations in our Aerostructures business unit in May. The negotiations involved all employees. The staff reduction need was finalized as nine persons. This will include both temporary and permanent layoffs. In addition to this, almost the entire personnel were made redundant during the year.

Judicial proceedings progressed

In February, the District Court of Kanta-Häme sentenced two former company employees to conditional imprisonment for aggravated bribery in relation to the Croatian export project in 2005–2008. The charges against one of them were dismissed. Under the same judgement, Patria Land Services Oy was sentenced to a corporate fine. Both the company and the two defendants announced that they did not accept the judgement. The case continued to be heard in the Court of Appeal in the autumn. The prosecutor also appealed against the judgement.

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

In June, the Turku Court of Appeal dismissed all charges and the demand for a corporate fine related to the Slovenian export project from 2005 to 2007. The District Court had previously dismissed all charges and the demand for a corporate fine. The Court of Appeal increased the compensation for District Court costs that the State was obliged to pay,

and ordered the State to compensate some of the legal costs of Patria Land Services Oy and the other defendants in the Court of Appeal.

Responsibility work continues

We have continued the work to develop our ethical conduct. In April, Transparency International UK published the Defence Companies Anti-Corruption Index. We did well in the index, drastically improving our placing compared to the previous similar study.

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

A glance at the future

2016 will be a year of growth, and the turnover of the Company will improve from the previous year. Many of the projects already under way related to equipment life-cycle management, and the maintenance activities outsourced to Millog, are progressing as planned.

Our domestic customer, the Finnish Defence Forces, have some unequalled projects in the pipeline, which are of the utmost strategic importance to Patria. Squadrons 2000 and 2020 and the Hornet replacement project are crucial to the nation's entire defence industry and its future. On the international market, we will set our sights on regions such as Australia and the Middle East, in addition to our own backyard.

It has taken a lot of patient and responsible work, inside and outside our organisation, to get here. This is a good springboard to success. I would like to thank all of our customers, owners, partners and other stakeholders as well as all of our employees for their good cooperation.

Heikki Allonen

President and CEO

The operating environment

In the operating environment of the defence industry the emphasis lies on tougher competition, technological development, and responsibility. Cost efficiency plays an important role in realising the saving goals of defence forces. The highly competitive defence market offers challenges and developing business opportunities alike.



In order to succeed on the market, defence companies must prove their ability to adapt to incessant competition of the highest order. And, at the same time, be able to identify the trends steering the development of the industry. Up-to-date knowledge of the customer's requirements combined with the ability to meet them with competitive solutions is of paramount importance to companies. Patria's success is based on a strong portfolio, experienced specialists and a customer-oriented focus.

Domestic projects

In recent years, Patria's main domestic customer, the Finnish Defence Forces, have been facing cost savings. In previous years, savings have been achieved by cutting defence expenditure and through the reform of the Finnish Defence Forces. Completed in 2014, the reform succeeded in creating cost-effective Defence Forces with fewer personnel but with the ability to meet the requirements of the security environment. The savings have been evident at Patria in the amount of material orders and maintenance work.

The Finnish Defence Forces are kick-starting large-scale projects that are of great interest to Patria.

Largest of them is the HX project, which aims to replace the Hornet fighter. The impact of the project on Patria's aviation business unit is significant.

Another source of interest for Patria is Squadron 2020, which aims to replace the outdated fighting vessels of the Finnish Navy.

Other topical projects include the order for the modernisation of seven Hawk jet trainers received at the end of 2015.

A key market role is the production of cost-effective services, a speciality of Patria. The strategic partnership established between Patria and the Finnish Defence Forces regarding life-cycle support services for military aviation systems is a good example of this. Another example is Patria's subsidiary Millog, which is a strategic partner to the Finnish Defence Forces, producing life-cycle support services for systems of the Finnish Army and Navy in numerous sectors. With an increased demand for cost-effective life-cycle support services, Patria has developed its operation to become a maintenance service expert.

International competition

Companies are affected by tightening competition on the international defence industry market. In addition to western operators, Russia and China in particular have dramatically increased their export of defence materials. The arrival of numerous new operators on the market has increased competition further. There is also new competition in the shape of the civilian market. Another key phenomenon is the strong tendency of companies to consolidate, creating bigger companies for the international market, especially when it comes to industry in the western world. This trend is likely to continue in the future as the big operators of the defence industry aim to strengthen their position on the increasingly challenging market through company mergers. A recent example of this is the merger of two defence vehicle manufacturers, KMW and Nexter. What's more, national politics play an ever bigger role in projects. Customers do not want to depend solely on one supplier



Patria's success is based on a strong portfolio, experienced specialists and a customer-oriented focus.



Up-to-date knowledge of the customer's requirements combined with the ability to meet them with competitive solutions is of paramount importance.



country. On the other hand, they want governments to guarantee and back the deals made by their companies.

Projects on the international market can be large-scale and long-lasting. Often, they presume collaboration between companies in the form of different partnerships. Patria has extensive experience of different collaboration projects and partnerships. A recent example is BAE Systems and Patria's collaborative vehicle project in Australia.

With the EU Defence and Security Procurement Directive, national projects have been opened up to international competition. However, opening the markets elsewhere in Europe has not been plain sailing. In the current market situation, the success of the defence industry cannot rest on domestic customers alone. This makes internationalisation a key issue for companies.

Mega trends point the way

In the long term, future trends in the defence market seem to follow various mega trends. As the ICT industry has developed, there has been a sharp increase in the amount of data, and also networking, i.e. the interconnection of systems and sensors and the increased amount of operating online. The emphasis on netwar and cyber security is evident on the defence market as well. As smart technologies have developed, var-

ious independent systems have become more common. Patria is an active player in this field of know-how, too, building related new business.

The role of social responsibility and ethical conduct have been highlighted in the defence industry. The European defence industry is a strong proponent of shared international methods. There is more information on responsible action in the social responsibility section of this report.

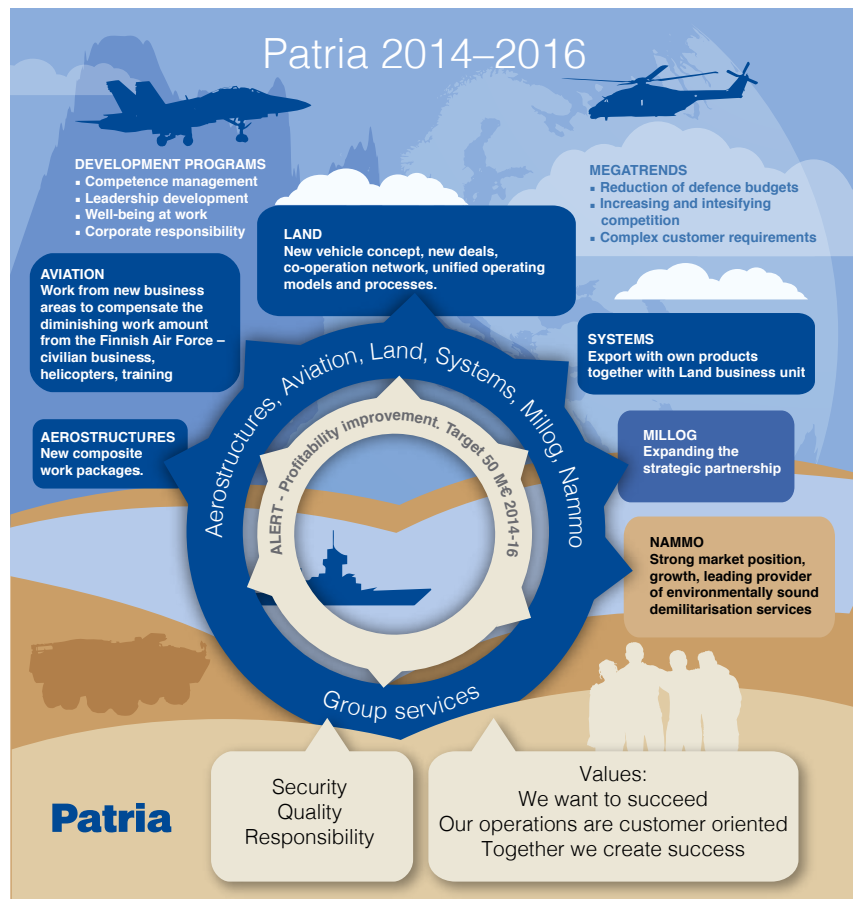
The defence cooperation between Finland and Sweden is a topical and important subject from the defence industry aspect. As cooperation within the industry hasn't concretised yet, it is not yet possible to assess its effect on new business opportunities.

Patria's strategy

Patria's strategy has been summarized in the attached image which depicts the goals of the company's business units, its competitiveness improvement goal, the challenges of the operating environment, the operation developing programs and the values and focus areas on which the company's operations are based on. Based on the strategy, every business unit has more specific goals of their own.

Operating environment

Patria's operating environment is constantly changing and the company must anticipate these changes to maintain its competitiveness. In its home and other important markets, defence budget cuts are driving the defence industry into a transition in which solutions that are more cost effective are being sought on the basis of decreased resources. In addition, procurements already prepared and decided on are being postponed and reduced in size, which is also affecting the order book. This results in an intensifying competition in the market where the customer's requirements are more complex.



Way to operate

Patria's way to operate leans on the company's values, which are defined by the staff.

We want to succeed

Our operations are customer oriented

Together we create success

In addition to these values, the operations are founded on security, quality and responsibility, which are prioritized in all of Patria's operations. Ethical conduct is a part of Patria's responsibility and it creates a basis for everybody in the company to operate. By operating correctly Patria develops its working environment and ensures its continuity.

In addition the operations are guided by many different factors, for example laws and regulations in the markets, export licence procedures and the contracts that Patria has made with its customers and partners.

In addition to the strict abiding of laws, regulations and contracts, also abiding to Patria's values, ethical code of conduct and other internal guidelines will increase the company's credibility as a partner and employer both domestically and internationally.

Internal development

Competence management and leadership development are in a key position in the ensuring of Patria's competitiveness. These reflect in the well-being at work. Responsibility and ethical way of oper-



Patria's operations are founded on security, quality and responsibility.

ating are topics, which Patria's owners and interest groups are constantly monitoring. The online training covering these topics is repeated annually. The goal is that everybody at Patria will do the training annually.

Aiming at an efficient and explicit Patria

Alert project targets to ensure Patria's competitiveness and development in the changing business environment by developing the company's operations to be more cost-efficient and flexible. In the strategy period 2014 - 2016 a company-wide operations development program targets to achieve EUR 50 million cumulative effect in the company's result during the next three years. The goal applies to every unit in Patria including the group services and business units.

Lowering the costs and increasing the return are part of the Alert program which targets to ensure and develop Patria's competitiveness in a changing business environment. The project aims to unify and further develop processes and key indicators in Business Units and Support Functions in a meaningful manner. Patria's board of management actively monitors the progress of the Alert project.

The goals of the business units

The goal of Aviation business unit is to safeguard the availability, quality and cost efficiency of aviation life-cycle support services. Besides improving Patria's own operations, the plans are aimed at strengthening the Aircraft unit's existing functions to correspond to the customer's functions, so that maintenance work is conducted increasingly, near the customer's facilities.

Patria's role as a NH90 Service Center strengthens the company's position in helicopter maintenance in the Nordic markets.

Pilot training and helicopter maintenance are seen as potential areas of business growth. Moreover, areas close to current operations, are also being analyzed.

Aerostructures business unit is seeking new composite work packages.

In addition to contracts already signed, Patria has armoured wheeled vehicle and mortar system marketing and sales projects in the pipeline for several existing and new customers. Many of these projects are remarkably bigger in both size and volume than previously. To meet these requirements Patria seeks for new operation models by utilizing and developing its network of partners. Land business unit also develops its product range and expands the co-operation with Patria's other business units in order to meet the changing customer requirements. Patria also develops and unifies its inner operating models and processes with One Land project, which aims to create efficient operating models and systems across the whole business unit.

Systems business unit is involved in several system projects of various sizes, related to areas such as intelligence, surveillance and command and control systems and systems integration. As orders from The Finnish Defence Forces are diminishing Systems business unit concentrates more on export markets.



Patria is developing its operations to be more cost-efficient and flexible.



A trusted aviation partner

Patria and the Finnish Defence Forces signed a strategic partnership agreement early in 2015. Key events included the completion of the assembly of NH90 helicopters and their delivery to Finland and Sweden, as well as the order received by Patria at the end of the year for the modernisation of seven Hawk trainer aircraft.

Patria is a committed developer of aviation life-cycle support services and pilot training. The core competence of service production covers the maintenance and repair of aircraft and helicopters and their engines, devices and systems; demanding system and structural modifications; as well as military and civilian pilot training.

Cooperation is key

The Finnish Defence Forces and Patria Aviation Oy signed a strategic partnership agreement in March regarding life-cycle support services for military aircraft and related systems. The contract expanded on the procedures and

conditions of the decades-long cooperation between the two parties, and consolidated the strategic partnership under all circumstances. The partnership agreement covers life-cycle support services for the Finnish Defence Forces' military aircraft and aviation systems, such as the F/A-18 Hornet fighters of the Finnish Air Force, the NH90 transport helicopters of the Finnish Army and the systems thereof.

The Logistics Establishment of the Finnish Defence Forces started its operations in January. This marks a significant change in the customer's organisation, methodology and systems. Patria was actively involved as a flexible partner in

the implementation of the new operating model and has restructured its own operations to meet the requirements of the Finnish Defence Forces. This ensures the availability, quality and cost-effectiveness of the life-cycle support services provided by the Company. As a part of the reform, Patria has moved its maintenance functions closer to the customer. The Hawk maintenance service started early in the year in Tikkakoski, in facilities shared with the Air Force Academy repair shop. The cooperation has gone smoothly.

In October, the Finnish Defence Forces started a project to replace the Hornet. The objective of the project is to replace

AVIATION

The Aviation business unit provides aircraft life-cycle support services and pilot training for its military and civilian aviation customers.

The majority of them are northern European defence forces and authorities. The unit in Sweden offers world-wide services as a service centre authorised by three helicopter manufacturers.

When it comes to military pilot training, Aviation is in charge of offering basic training to the Finnish Air Force, the Finnish Army and the Border Guard. Civilian pilot training customers include airlines, aviation schools and private students, both domestic and from abroad. The main product is airliner pilot training.

Diesel engine maintenance and repair services are another key business sector of Aviation. The main customers are the Finnish Navy and European nuclear power plants.

Personnel

1,022

Net sales as a share
of group net sales

30%

Personnel as a share
of group personnel

38%



the Hornet fighters due to be decommissioned from 2025 onward. The project is extremely important to the Aviation business unit of Patria, and the company has supported the Finnish Defence Forces in data acquisition and the preparation of the request for information.

Extensive life-cycle support services

Patria and BAE Systems celebrated the 35-year milestone of the Hawk trainer aircraft with the Finnish Air Force. Both companies have supported the use of the Hawk aircraft throughout their entire life-cycle and will continue the work to secure the functionality of the Hawk aircraft and the needs of Finnish pilot training. Patria's support services have helped the customer to cut costs by anticipating problems linked to fatigue in the structures of the aircraft. In cooperation with the Finnish Air Force and through ongoing modifications and amendments, the life of the aircraft has been extended until the 2030s.

Patria received an order from the Finnish Defence Forces in December for the upgrade of seven Hawk Mk51 jet trainers and the modernisation of their avionics systems. The employment effect of this agreement is approximately 50 person-years for the Finnish aircraft industry. The Finnish Defence Forces

intend to operate Hawk jet trainers at least until 2036.

In January, a world-wide maintenance and repair work of NH90 engines started at Patria's Linnavuori site pursuant to the contract signed with the engine manufacturer Turbomeca. Maintenance of Black Hawk helicopters for the Swedish Armed Forces has started at the Linköping site of Patria Helicopters AB. The replacement of the EC-135 helicopters used by the Swedish Police with Bell 429 helicopters started. Patria will also continue the maintenance of the new equipment and has trained its personnel and has made all other preparations for the new type of aircraft.

The last NH90 transport helicopter delivered to the Swedish Armed Forces from the NH90 assembly line. The first helicopter from the retrofit line completed to the final quality specification was delivered to the Finnish customer. All previously delivered NH90 helicopters will be upgraded to the final configuration in this massive project lasting from 2014 to 2018.

In October, Patria signed a contract for the delivery of NH90 spare parts to the Swedish Armed Forces. The value of the contract is EUR 9.1 million. In addition to this, the Company has received several orders for NH90 spare parts from the Finnish Defence Forces.



Patria produces demanding composite aerospace structures. The company is actively developing new composite structure technologies and applications.

A versatile expert in pilot training

The first group of Kazakh pilots trained by Patria graduated in November. The students received a professional pilot training compliant with the regulations of EASA, the European Aviation Safety Agency. The cooperation between Patria and Kazakhstan started in 2013, and the first group of students arrived in Finland in May 2014 for a two-year training.

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

In June, Patria decided to move the Patria Pilot Training school from Helsinki-Malmi to Tampere-Pirkkala airport in 2017. The move is connected to Finavia's decision to withdraw from the Helsinki-Malmi airport with the area returning to other use.

As in previous years, military pilot training continued in Tikkakoski. In June, the Jaeger Regiment of Utti received an NH90 flight simulator. Patria is in charge of the maintenance of the simulator and of providing training for its use.

The Finnish Air Force has started the process of finding a successor for the Vinka. Patria is interested in taking part in the maintenance of the selected new aircraft and offering flight training for it in the future.



Expertise in aerospace structures

Patria produces demanding composite aerospace structures. The company is actively developing new composite structure technologies and applications. Strong design know-how and efficient production methods represent the company's key competence areas.

Patria delivered the composite wing spoilers to 28 Airbus A380 aircraft. In addition the price period of the delivery contract was continued until 2020.

The deliveries under other Airbus contracts (A330, A400M) were continued as planned.

Patria widened its co-operation with Saab Electronic Defence Systems unit as for the Airborne Early Warning radar structures.

As part of production technology development Patria is investing in Automated Tape Lay-up, ATL, which will be ready for operation by March 2016.

Patria has submitted a significant bid for work packages for Airbus A320 aircraft. The bidding process is estimated to be completed during the first quarter of the year.

In August all personnel of Aerostructures, were temporarily laid off during the accounting period for a maximum of four weeks, in addition to which 15 people were laid off on a part-time basis.



High technology, international projects

Land business unit's project deliveries proceeded according to plan and international marketing work continued in an active manner. The latest member of Patria AMV product family, Patria AMV^{XP} Infantry Fighting Vehicle, was presented at the DSEI event in London.

During the year, business operations were adjusted to market conditions in order to improve competitiveness. After the financial year, in January 2016, Patria announced an important order for Patria AMV 8x8 wheeled vehicles from the UAE Armed Forces.

Patria AMV, the market leader among 8x8 armoured wheeled vehicles, is a key export product for Patria. Nearly 1,600 vehicles have already been ordered. They are used in challenging conditions by customers in seven countries. The newest member of the product family, Patria AMV^{XP}, is based on the successful AMV vehicle and offers a solution for customer needs of tomorrow. During the year in review, the Patria AMV featured

at two major international events. In February, it was presented at the IDEX 2015 event in Abu Dhabi, UAE. Patria AMV^{XP} IFV also featured at the DSEI event in London.

Patria and Kongsberg Defence & Aerospace AS signed a partnership agreement on participation in certain projects focusing on the delivery of vehicle and weapon systems to the Middle East. Together, the companies form a strong team in terms of meeting future customer needs while developing their systems and customer-specific solutions in collaboration.

In September, Patria and BAE Systems Australia submitted their bid for armoured reconnaissance vehicles for the Australian Land 400 project.

The companies have worked in close co-operation to develop a competitive solution offering high-class protection and firepower, which meets the performance requirements of the Australian Defence Force.

As part of the AMV project of the South African National Defence Force, Patria delivered the approved prototype series vehicles manufactured in Finland to the customer. Production will continue in the customer's country. For Patria, production line manufacturing will continue with component deliveries between 2016 and 2021.

The XA-180 Armoured personnel carrier (Pasi) modernisation project of the Finnish Defence Forces progressed to serial production, and the first vehicles



Patria AMV, the market leader among 8x8 armoured wheeled vehicles, is a key export product for Patria.



were delivered to the customer. Patria and its subsidiaries will modernise a set of 70 vehicles by the end of 2017. Thanks to the modernisation project, the life cycle of the XA will be extended to beyond 50 years. The contract includes an option for the modernisation of 210 vehicles, the implementation of which would extend to the end of 2021.

The Ministry of National Defence Republic of Poland placed an additional order for AMV 8x8 vehicles from Patria's Polish partner Rosomak S.A. Patria will deliver components for approximately 200 vehicles, with Rosomak S.A. assembling the kits to obtain complete vehicles under a Patria licence.

Patria will deliver components for 200 vehicles for Rosomak S.A., which produces the vehicles under Patria's license. Deliveries will take place during 2015-2019. The order strengthens Patria's order stock, but does not generate much work for the Hämeenlinna unit.

After the financial year, in January 2016, Patria announced an important order for Patria AMV 8x8 wheeled vehicles from the UAE Armed Forces, a continuation of long-standing collaboration between the UAE Armed Forces and Patria.

Number one in turreted mortar systems

Patria's turreted mortar systems are among the most advanced indirect fire systems on the market. Key products include single- and double-barrelled 120 mm mortar turrets, in which Patria is an international market leader.

The serial production of Nemo systems for the Foreign Military Sales project of the United States Government was completed, with the project's last Nemo mortar approved at the Hämeenlinna factory in September.

The Finnish AMOS project was completed in September. The series stage project started in December 2010 and continued until September 2015. During the project, 14 vehicles were delivered, modifications meeting the series delivery were made to the prototype series vehicles, and the related technical documentation and training were finalised. AMOS is a joint product development project undertaken by Patria Hägglunds and the Finnish Defence Forces, the end result of which is the creation of an infantry fire-support system of unparalleled performance.

Adjustment of operations

Patria conducted employee participation negotiations in its Land Services in February. The negotiations involved all employees. The need for staff cuts was narrowed down to 55 clerical workers and 19 employees. In addition, 10 production employees were temporarily laid off at the end of the year.

Sales projects

Patria is involved in ongoing marketing and sales projects of armoured wheeled vehicles and mortar systems. The company is taking part in important tendering processes in countries including the United Arab Emirates, Denmark and Australia. The expectancy here is the profitable continuation of Land business unit's exports in the years to come.

LAND

Patria's core expertise is in the high-quality armoured wheeled vehicles, mortar systems, and in the related life-cycle support services. Patria AMV product family and Patria Nemo mortar system are the highest-profile products in this range. Both AMV and Nemo are market leaders in their product segments.

Personnel

306

Net sales as a share of group net sales

19%

Personnel as a share of group personnel

11%



Comprehensive management of systems and integration programs

Systems Business Unit signed an important system delivery contract in the security sector early in the year. Other essentials for the year included collaboration arrangements linked to large system projects.

Patria has systematically increased its experience and competence with regard to the overall planning of large integration projects, coordinating subcontractor deliveries, and total integration. For example, Patria was the main supplier of the successfully completed Rauma Class Fast Attack Craft modernisation project. Indeed, the company specialises in ensuring the functionality of systems consisting of different subsystems as well as system and software life-cycle management.

In September, the Minister of Defence gave the Finnish Defence Forces the mandate to begin the Squadron 2020

project to replace outdated combatant vessels of the Finnish Navy. In November, Patria and Rauma Marine Constructions RMC started a collaboration to create their solution for implementing the project. This collaboration enables the construction of the vessels, the optimisation of the weapons systems and the future maintenance and upgrade of the vessels based on Finnish know-how.

Important system project for the security authorities

In January, the Finnish National Police Board and a consortium comprising Patria, Portalify Oy and Codea Oy signed

an agreement for the development and delivery of a Common Field Command System (KEJO) for all Finnish Public Protection and Disaster Relief (PPDR) authorities. The total value of the contract is 23 MEUR.

KEJO is a common system for public safety mobile ICT services and an application platform for mobile terminals that will be operated mainly over wireless networks. The system enables field command and control, maintenance of situational picture, interfacing to several external systems and exchanging information in real time with other PPDR actors.



Patria specialises in ensuring the functionality of systems consisting of different subsystems as well as system and software life-cycle management.

SYSTEMS

Systems makes comprehensive system and equipment deliveries to defence forces and security authorities. Areas of special expertise are intelligence, surveillance and command and control systems, as well as their integration, software and life-cycle support.

Personnel

246

Net sales as a share of group net sales

7%

Personnel as a share of group personnel

9%

The implementation will take place in 2015-2017 and will have a significant employment impact for all the members of the consortium. The contract strengthens the position of the organisations which make up the consortium as the software and system suppliers of choice for PPRD authorities.

Training simulators

The training simulator for the Patria Nemo mortar system was showcased to international customers in February at the IDEX event in Abu Dhabi, and in September at the DSEI event in London. The simulator provides a realistic virtual training environment for all kinds of fire missions that can be performed with the Patria Nemo mortar system. It also combines Patria's long-term experience of aviation training simulators with the company's know-how related to fire control systems and Patria Nemo weapons system.

This year, a decision was made to start the design and production of a Part Task Trainer device for the Patria AMV vehicle.

New owner for the space unit

The sale of the Patria space unit was confirmed in May. In accordance with the agreement signed on 15 December 2014, Patria sold its space unit to RUAG of Switzerland to become part of RUAG's Space division. The sale included all space operations of Patria's Systems Business Unit. All personnel of Patria's space unit, located in the City of Tampere, switched to the service of the newly incorporated RUAG Space Finland Oy.



Millog – strategic partnership with the Finnish Defence Forces

Life cycle service specialist Millog expanded its operations by integrating the garrison repair workshops of the Finnish Army, the maintenance centres of the Finnish Navy and over 300 employees into the Millog organisation. Other essentials included investments in new premises and the LISA Target Acquisition System deliveries.

With a greater demand for life cycle services, Patria has developed its operations to become a specialist in the field. A great example of this is Patria's subsidiary, Millog, a strategic partner of the Finnish Defence Forces which delivers life cycle support services for the platforms and systems of the Finnish Army and Navy. Established in 2009, Millog has adopted a cost-effective concept, which has met customer requirements and also raised interest abroad.

The beginning of the year saw the start of the operations pursuant to the expanded partnership agreement between Millog and the Finnish Defence Forces, which will deepen the existing strategic partnership.

The value of the effective pricing period of this contract is EUR 581 million. Millog assumed a greater role in the FDF's maintenance responsibilities. The contract covers life-cycle services for Army material, i.e. maintenance and repair services for wheeled and tracked

vehicles, missile and weapon systems, electronic & optoelectronic systems, all related installations and modifications, as well as corresponding maintenance work for Navy material. Over 300 employees were transferred from FDF to Millog. The company now employs more than a thousand maintenance professionals.

As the operation has expanded, Millog has invested in new premises. A new site was built in Riihimäki for developing and testing command and control systems.

MILLOG

Patria's subsidiary Millog (Patria's share of Millog's stocks is 61.8%) is the FDF's strategic partner, which provides life-cycle support services for Army and Navy material in both normal and exceptional conditions. The company's responsibilities include the maintenance and repair of wheeled and tracked vehicles, missile and weapon systems, electronic & optoelectronic systems and related modifications, installations and life cycle support as well as related services for the Navy vessels and systems.

Personnel

1,072

Net sales as a share
of group net sales

44%

Personnel as a share
of group personnel

38%



A new equipment hall was built in Upinniemi to boost the docking services for Navy vessels. Expansion of the Parola repair workshop and the renovation of the old premises were completed at the beginning of 2016.

Strong competence in night vision equipment

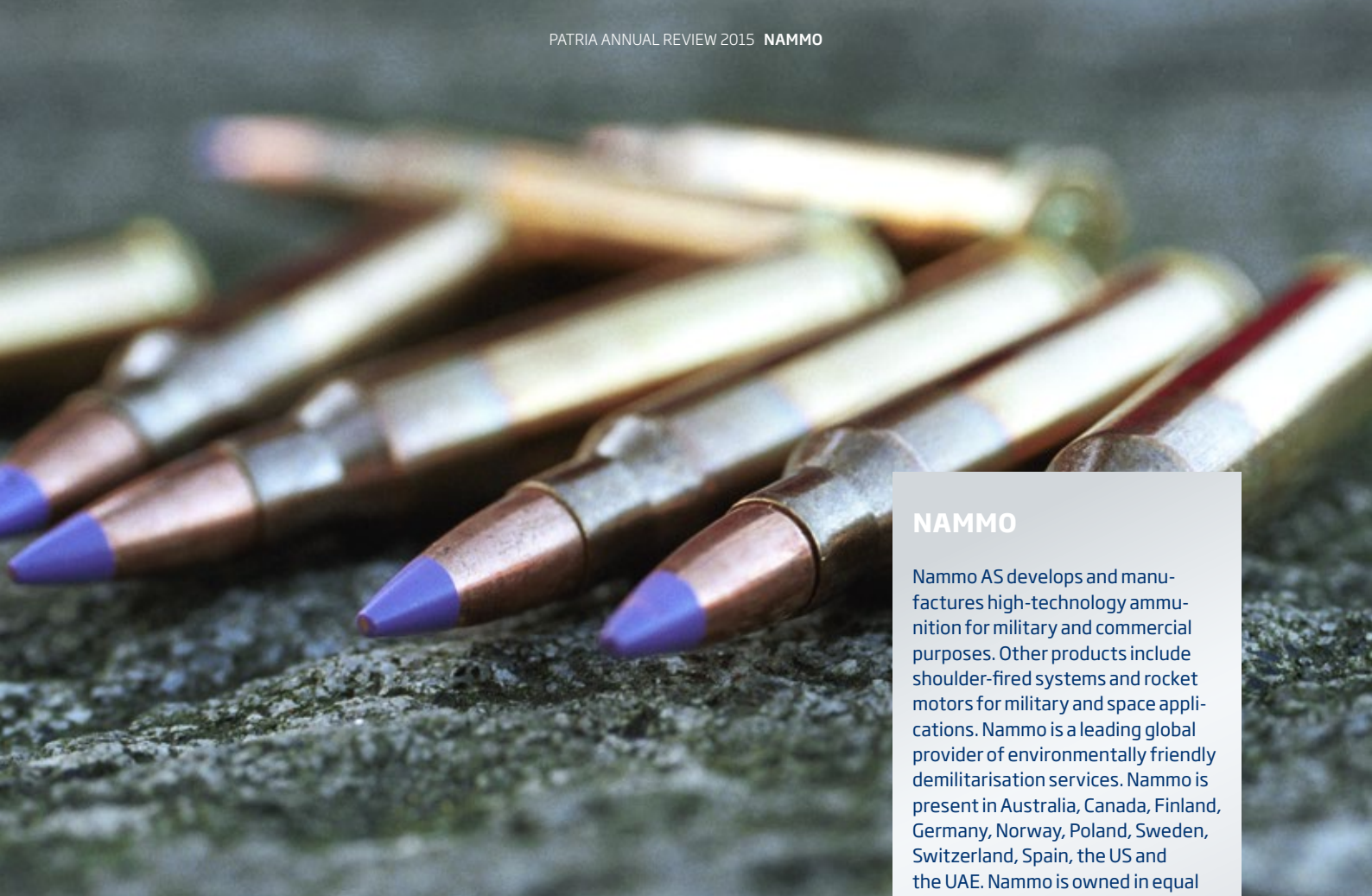
High-quality night vision equipment is an important speciality of Millog. In 2015, the company continued to deliver LISA Target Acquisition Systems to the Finnish Defence Forces pursuant to the EUR 26.8 million contract made in 2014. In addition to the successful LISA deliveries, the sales and manufacture of Image Intensifiers continued on a good level. Millog aims to leverage the growth potential of optronics, and the company has remodelled the related business model.

The group structure of Millog changed from 1 January 2016 onwards when a new subsidiary of Millog, Senop Oy, was established. Senop operates in two areas: Millog's optronics product business and Oricopa Oy's integration operations. Senop has a strong backlog of orders, and the company's turnover is estimated to achieve approximately EUR 40 million.

Millog focuses on life-cycle services in accordance with the strategic partnership. In addition to this, the company is in charge of the manufacture and maintenance of optronics. Senop, on the other hand, focuses on optronics product development and increasing and internationalising the business.



Millog has adopted a cost-effective concept, which has met customer requirements and also raised interest abroad.



NAMMO

Nammo AS develops and manufactures high-technology ammunition for military and commercial purposes. Other products include shoulder-fired systems and rocket motors for military and space applications. Nammo is a leading global provider of environmentally friendly demilitarisation services. Nammo is present in Australia, Canada, Finland, Germany, Norway, Poland, Sweden, Switzerland, Spain, the US and the UAE. Nammo is owned in equal shares by Patria (50%) and the state of Norway (50%).

Nammo – international defence industry

The Nammo Group is owned in equal shares by Patria and the state of Norway.

The key products of the company are ammunition, rocket motors for military and space applications, as well as environmentally friendly demilitarisation services. Internationality, high technological competence and a comprehensive product portfolio are the cornerstones on which the company's success is built.

Nammo is a defence company whose competence is based on high technology expertise, advanced product development and the desire to develop innovative and environmentally friendly solutions.

At the end of the accounting period, the Group was structured into six business units effective from 1st of January 2016: Commercial Ammunition (CA); Small and Medium Caliber Ammunition (SMCA); Large Caliber Ammunition (LCA); Shoulder Fired Systems (SFS); Aerospace Propulsion (AP); Demil, Sea Safety and Services (DSS). The majority of the

company's customers comprise defence forces and the defence industry. The rest of the market consists of distributors for services and sport, hunting and safety equipment and their components. The company operates on the international market. More than 70% of its turnover comes from outside the Nordic countries.

Nammo's operation follows the trends of the international defence equipment market. The company's operational focus shifts from year to year following market developments. On an annual level, the business units may compensate each other's development. The company

seeks growth in its current markets, both organically and through acquisitions.

In Patria's financial statements, Nammo Group was redefined at the beginning of 2013 as a joint venture and consolidated using the equity method instead of the previously used proportionate method. Nammo AS publishes its own annual report and corporate responsibility report, available on the company's website at www.nammo.com.

Responsibility

Responsibility is an essential part of business, and it is of special interest of the defence industry whose ethical grounds are often questioned in the public eye. This is why it is important to Patria to tell its stakeholders about the responsibility of its operation in an open and transparent manner.

Responsibility is part of every working day at Patria. It means abiding by laws, decrees, different statutes and agreements, identifying and preventing risks linked to one's own actions, and developing ethical conduct within the Company and, more broadly, throughout the industry.

In the survey run by the FIBS Corporate Responsibility Network in Finland in 2015 it was discovered that fair practices were seen as the most important part of responsibility. Among other things, this means tax and anti-bribery measures taken by companies. Patria has invested in these for many years already. A good example of this is the Defence Companies Anti-Corruption Index study published by Transparency International UK in April 2015 in which Patria did well, dramatically improving its placing from the previous study.

The UN 2030 Agenda for Sustainable Development goals are acknowledged at Patria and company measures to enhance them are to be identified.

Patria has signed United Nations' Global Compact initiative, in which companies embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption. Patria takes part in the meetings and interaction of the Nordic network.

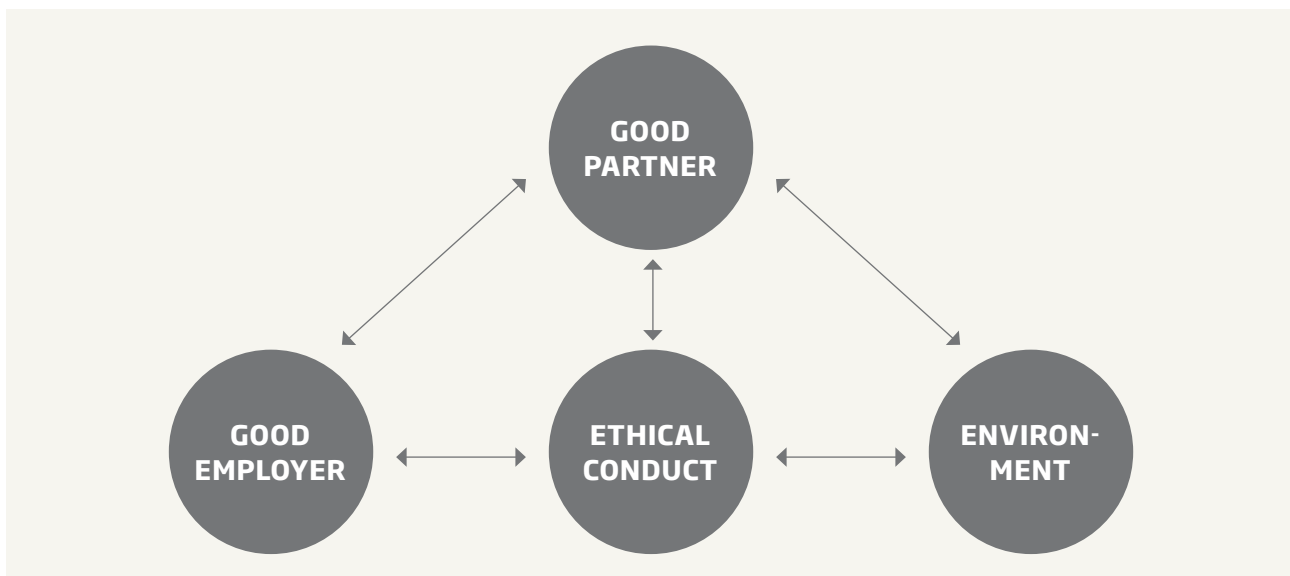
Patria has joined Society's Commitment to Sustainable Development, coordinated by the Ministry of the Environment, and the company pledges to develop the energy efficiency of the real estate property it manages and to further enhance occupational safety in order to reduce the number of accidents at work.

Responsibility management at Patria

The General Counsel & Chief Compliance Officer, supported by the Vice President of Human Resources, the Vice President of Corporate Communications, and the Chief Strategy Officer are responsible for corporate responsibility. Together with a group of experts, they form the Corporate Responsibility Team, the operations of which rest on four cornerstones: good partnership, being a good employer, ethical conduct, and the environment.

The General Counsel reports to the Board of Management, the Board of Directors and the Audit Committee of Patria on issues regarding responsibility.

The aforementioned corporate bodies are in charge of evaluating and steering corporate responsibility matters.



Responsibility goals and success stories of 2015

	Goal for 2017	2015 success story
Good partnership	<ul style="list-style-type: none"> Cooperation becomes increasingly transparent We are familiar with the expectations of our partners, responding to them in an appropriate manner 	<ul style="list-style-type: none"> Updating our CSR Essentiality Chart. Defining new goals to meet the expectations of different stakeholders. The rules applied to our lobbying strategy as regards stakeholders combined into a single set of guidelines. Openness and transparency becoming an increasingly important element in the development of our operations and interaction.
Being a good employer	<ul style="list-style-type: none"> Patria employees find their work meaningful Patria offers its personnel an opportunity for personal development Integration of work and family is easier than before 	<ul style="list-style-type: none"> Renewal of competence management principles and methods Surveying personnel satisfaction – Patria Pulssi 2015 Bringing the role of the expert to the forefront Development of the employer image
Ethical conduct	<ul style="list-style-type: none"> The company's stakeholders are aware of Patria's ethical conduct principles and the anti-corruption measures it takes, and Patria is viewed as a company with a high standard of ethical conduct. Patria's ethical code is the minimum ethical standard by which Patria's key partners abide. Patria's personnel is aware of the ethical principles and the right conduct in the various aspects of their work. 	<ul style="list-style-type: none"> Increasing openness and transparency in the ethical conduct of Patria Improving cooperation and dialogue with partners and suppliers widening the scope of training and training content through increased use of eLearning modules Developing the business partner selection process further
Environment	<ul style="list-style-type: none"> Better energy-efficiency of real estate Efficient gathering, utilisation and reporting of environmental indicator values The Group's environmental systems meet the requirements of the ISO 14001 standard by the end of the transition period 	<ul style="list-style-type: none"> Identification of the effects brought forth by the redrafting of the ISO 14001 environmental standard, including the implementation of the required changes in the procedures of the operational system and its guidelines Implementation of the provisions of the new environmental permits at Patria's Halli and Linnavuori sites Inclusion of the thirteen new sites transferred under the responsibility of Millog on 1 January 2015 in the environmental system

Responsibility reporting trends

Responsibility reporting is an established practice in state-owned companies. However, it is not an established practice in all of the stakeholder companies of Patria. An EU directive on responsibility reporting by companies with more than 500 employees came into effect early in 2016. Patria abides by the GRI guidelines on reporting and the guidelines given by the state as an owner. Along with the GRI guideline reform, reporting centres increasingly on the Essentiality Chart. Patria's Essentiality Matrix was updated at the end of 2015.

The use of integrated reporting is becoming more common in corporate life. The trend reflects the importance of responsibility in everyday work at every corporate level. This is also one of the guiding principles of Patria.

Reporting and calculation principles

The report covers the parent company, Patria Oyj, its majority-owned subsidiaries in Finland, Patria Finance Oyj, Patria Aviation Oy, Patria Land Systems Oy and Millog Oy, as well as their majority-owned subsidiaries operating in Finland. Patria does not report on previously outsourced operations. Nammo AS, jointly and equally owned by Patria and the state of Norway, reports independently on responsibility.

The personnel statistics apply to all of the above companies, excluding Nammo and the subsidiaries operating abroad.

The environmental statistics contain business-specific differences, which have been itemised under each statistic. The environmental impact of Patria's operation in rented facilities has not been reported.

Information sources, measurement and calculation methods used in the report

The report data were gathered from Patria Group's internal data systems. For measurement and calculation methods, recommendations in accordance with the GRI guidelines have been followed whenever possible and appropriate. The statistics always include a note on the measurement and/or calculation method used.

Personnel data are obtained from the Patria HR system. Accident statistics are obtained from an insurance company.

Economic statistics are mainly Patria's financial statement data, which are available full-scale at www.patria.fi.

Ethical conduct brings success

At Patria, ethical conduct is founded on the absolute requirement set by the Board of Directors and the senior management for zero tolerance of unethical conduct. Ethical conduct is part of every working day at Patria. Ethical conduct means going beyond compliance with laws, international treaties and customer contracts, including collaborative agreements. It encompasses the prevention, detection and inspection of identifiable industry risks.

The senior management of the company keeps a close eye on ethical conduct indicators, which reflect conscious choices by the company. Ethical conduct has been assimilated throughout the Patria organisation.

The targets set for the year for promoting ethical conduct were met. Measures were taken to increase openness and transparency: instructions on lobbying were created, a new e-learning tool was adopted, and further development of the business partner selection process was started. 99% of the personnel participated in the training.

Patria fared well in the Defence Companies Anti-Corruption Index 2015 survey carried out by Transparency International UK.

Patria continued to invest in the development of ethical conduct and anti-corruption policies, and actively and openly communicated the company's commitment to these important areas, for instance, at the Comprehensive Security 2015 event in Tampere. Patria representatives also took an active part in international industry seminars and training events. The Ethics Officer of Patria completed the international Certified Compliance and Ethics Professional training.

Management

Steering and control of ethical conduct is the responsibility of the Audit Committee of the Board of Directors. Among other things, the Audit Committee, the Board of Directors and the Board of

Management receive regular reports on ongoing legal processes, reports received through the anonymous reporting channel, ethical conduct training, ethical conduct negotiations and training conducted with strategic partners, and development measures pertaining to ethical conduct and compliance.

Training

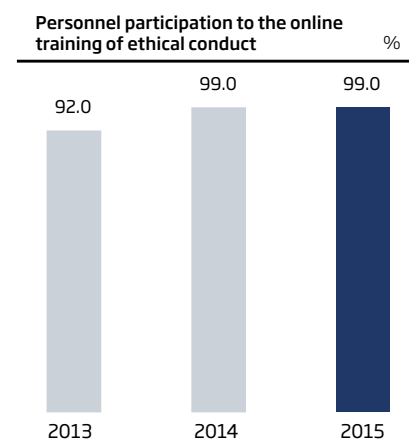
Every year, all Patria personnel complete an online training course on ethical conduct with the purpose of increasing awareness and understanding. A new e-learning platform was implemented in 2015, enabling training to be more visual and meaningful than in the past. Out of the Patria personnel in Finland, 99% completed this training (99% in 2014). Out of the Patria personnel in Sweden, 98% completed the training (90% in 2014). For Millog, the training will be organised during spring 2016. The previous round of training for the entire personnel of Millog was organised in late 2014. In addition to this, all new employees, more than 300 persons, completed ethical conduct training in 2015.

At the start of employment, all new Patria employees are introduced to the operation of Patria and are familiarised with the definitions of policy of ethical conduct.

In the future, the e-learning platform will also be utilised for advanced special-field training aimed at focus groups. Such training modules include competition law and export licences.



Patria fared well in the Defence Companies Anti-Corruption Index 2015 survey carried out by Transparency International UK.



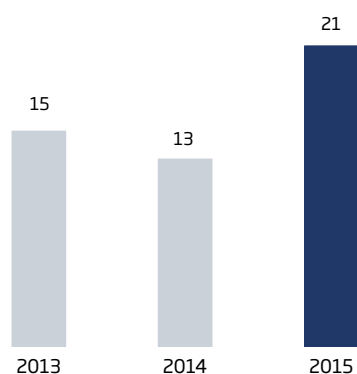
Patria's ethical training comprises several topics, including harassment, fair treatment, conflicts of interest, bribery, protecting company assets, and data security.

Detection

Patria personnel are encouraged to report all unethical activity, primarily to their supervisors or through the shop steward organisation. A channel for anonymous reporting is also available. In 2015, a total of 21 reports were submitted through the reporting channel, 18 of which were anonymous. One report was submitted directly to the General Counsel. The reports were investigated and reported onwards to the Board of Management, the Audit Committee and the Board of Directors. Only one of the reports referred to a serious offence. In the investigation that followed the suspicion was deemed to be groundless. The number of reports increased from the previous year, when there were 13 of them. The increase is clearly comparable to the increase in newly trained personnel utilising the reporting channel.

The processes pertaining to reporting and investigating suspicions of unethical conduct are described in Patria's Integrated Management System. There is also a file description of the management of the personal data in the reporting channel.

Reports of unethical activity per year



Patria's reporting channel makes it possible to submit reports anonymously. Approximately 80% of the reports are submitted anonymously.

Fight against corruption

Anti-corruption was made a separate area of development, and Patria's policy statements pertaining to it were collected and presented on the Patria website.

Patria gained the good classification it was after in the Defence Companies Anti-Corruption Index 2015 survey carried out by Transparency International UK. In an assessment based on data gained from public websites using a scale from A to F, where A is the best category, Patria was ranked in the third highest category, the C-category. Separately submitted internal materials lifted Patria's ranking to category B along with the best European defence industry companies.

As a member of the UN Global Compact, Patria actively participates in the events and activities of its Scandinavian network.

In Finland, Patria attended the Comprehensive Security 2015 event, presenting the Company's activities to promote ethical conduct within the Company and in the business alike.

Risk management

Patria carries out a biennial questionnaire regarding the risks of gross malpractice for the operation of the Company. The next questionnaire will be carried out in the spring of 2016, and the results of this will be handled in the risk-management steering group as a part of the risk-management process. The results will be reported to the Group's Board of Management as well as the Audit Committee of the Board of Directors.

As far as ethical conduct is concerned, dialogue was continued within the Group to improve the level of risk-management. The goals of 2016 include the standardisation of risk-management processes with regard to ethical activities with external stakeholders, including business partners, suppliers and subcontractors.

OBJECTIVES TO BE ACHIEVED BY 2018

- Patria's principles regarding ethical practices and the anti-corruption measures it takes have permeated the company's stakeholders, with Patria being viewed as a company with a high standard for ethical practices.
- Patria's most important partners operate on a level corresponding, at minimum, to that specified in Patria's ethical guidelines.
- Patria's personnel is aware of the ethical principles and the right conduct in the various aspects of their work.

FOCUS AREAS IN 2016

- Standardisation of risk-management processes with regard to ethical activities of external stakeholders (business partners, consultants, agents, suppliers, subcontractors, customers, etc.)
- Further development of advanced online courses



As a member of the UN Global Compact, Patria actively participates in the events and activities of its Scandinavian network.



Partners

In their operations, Patria's partners are expected to achieve a level corresponding to that specified in Patria's ethical guidelines.

Patria and Kongsberg Defence & Aerospace AS signed a partnership agreement on participation in certain projects focusing on the delivery of vehicle and weapon systems to the Middle East. In connection with this cooperation, Kongsberg carried out Compliance due diligence at Patria.

Court proceedings

In February 2015, the District Court of Kanta-Häme sentenced two former Patria employees to conditional imprisonment for aggravated bribery in relation to the Croatian export project in 2005–2008. The charges against one of them were dismissed. The sentence also included a corporate fine of EUR 297,000 imposed on Patria Land Services Oy. The company and the individual defendants announced that they do not accept the judgement, and the hearing

continued in the Court of Appeal in the autumn of 2015. The prosecutor also appealed against the judgement. After the financial year in February 2016 the Turku Court of Appeal in its decision overturned the earlier judgment by the District Court and dismissed all bribery charges related to the Croatian export project. The state was ordered to compensate Patria for legal costs and the prolonged trial. The due date for request for right to Appeal to the Supreme Court is April 17, 2016.

In June 2015, the Turku Court of Appeal dismissed all charges and the demand for a corporate fine related to the Slovenian export project from 2005 to 2007. The District Court had previously dismissed all charges and the demand for a corporate fine. The Court of Appeal increased the compensation for District Court costs that the State was obliged to pay, and ordered the State to compensate some of the legal costs of Patria Land Services Oy and the other defendants in the Court of Appeal.

FURTHER INFORMATION

www.patria.fi/en/ > [corporate responsibility](#) > [Ethical conduct](#)

- Anti-corruption
- Export licence procedure
- Corporate responsibility networks

Responsible employer

Patria holds transparent cooperation in high regard, values skills and experience, treats its personnel equally and fairly and attends to the personnel's well-being at work.

During the accounting period, Patria focused on developing its operations and reforming its corporate culture. The personnel has joined in, taking part in planning, streamlining and reorganising the operations. The common guiding principle has been the Lean operating model.

To enhance the operation of the work community, Patria has provided feedback to individuals and groups alike regarding their strengths as well as areas in need of improvement, and supported the development of operations. Among other things, the tools used include competence and motivation analyses as well as teamwork modelling tools. At the core was developing the function of the management teams.

On average, during the accounting period the Group employed 2,806 (2014: 2,546) people. At the end of December, the number of personnel was 2,754 (2014: 2,445).

Year 2015

Patria's headcount increased by approximately 12%, mainly due to the new personnel added to Millog Oy. Adjustments were required in some of the business units.

According to the employer survey conducted by Universum, Patria ranked among the 30 most interesting workplaces in Finland; Patria is also the 10th biggest employer in Finland among the companies of Federation of Finnish Technology Industries.

Patria promoted occupational health cooperation to reduce the amount of absences through sickness. To support this goal various methods of returning to work were used and in addition the superiors were encouraged to discuss about problems related to the ability to work at an early stage. Patria also invested in preventing musculoskeletal

diseases. In 2015 absences through sickness were reduced by 0.2 percentage points to 4%. Musculoskeletal diseases were reduced by 28%, however in Millog they were increased by 64%. The musculoskeletal diseases form the largest proportion (30%) of all absences through sickness in Patria.

The aviation technological trainee programme started, including advanced students at different levels with the chance to complete final-stage studies, training and dissertations, and work practice periods at Patria. Nine students are taking part in the programme.

In 2015, Patria offered summer jobs to 104 persons in total.

Leadership and influence

HR is the responsibility of the Chief Administration Officer, a member of the Board of Management reporting directly to the CEO. The Vice President, Human Resources reports to the Chief Administration Officer. The HR Managers of each business unit are so-called business partners, who report to the directors of the business units.

At Patria, value management and cooperation make it possible for everyone to take part in the planning and decision-making pertaining to their own job and working environment.

The manager plays an important role in personnel management. They are responsible for the operative HR matters of their own area of responsibility. The managers are supported by the HR Manager of the business unit as well as the centralised operative personnel and expert services.

The centrally defined personnel management processes are implemented in each business unit. In addition to this, the business units employ centralised HR data systems.

Patria honours the negotiating order.



Patria is the 10th biggest employer in Finland among the companies of Federation of Finnish Technology Industries.

All employment matters are primarily dealt with between the employee and the manager. This basic relationship is supported by the shop steward and negotiation systems in accordance with the collective agreement. The negotiating order also allows all disputes flowing from the application of the collective agreement or labour laws to be handled in a controlled manner.

Local agreements are part of established cooperation. Normally, local agreements become part of the collective agreement. Local agreements are made at different levels of the organisation depending on the issue. Some of them are Group-level agreements,



To support the development of competence, a new online learning environment intended for all Patria personnel was deployed.

others business unit-level agreements.

The personnel are entitled to select their representatives for the different-level bodies of the Patria Group in accordance with the principles manifest in the legislation applicable to administrative representation, and cooperation between employers and personnel and the related local agreements. At Patria, the employees are involved in advisory councils, the corporate meeting and the management teams of the business units. There are also business unit-specific general meetings and occupational health committees where matters required by the Act on Co-operation within Undertakings are handled on a regular basis.

Initiatives are an organised activity, which influences the development of personal work as well as the activity of the working community. Initiatives are separately implemented in each business unit.

Equality

At Patria, the equality plan and non-discrimination plan have been combined into an Equality Plan, which has been added to the HR plan.

Patria guarantees equal rights and opportunities to all personnel. No discrimination based on gender, age, origin, language, religion, conviction, opinion, medical condition, disability or other personal reason is tolerated.

Every Patria employee should promote equality in their behaviour and actions. Everyone has the right and responsibility to intervene in the case of observed grievances.

The management creates the conditions and commits for its part to promote

the implementation of impartiality and equality.

At the end of 2015, an equality survey was conducted among the Patria personnel, the results of which will be processed by business unit in general meetings where potential corrective measures shall also be decided.

Diversity

Several measures are taken to support diversity, including: Patria's values: We wish to succeed; we put the customer first and we succeed together. Patria is a staunch supporter of diversity within the parameters allowed by the industry. Patria operates in 34 different areas, so there is great variation in the corporate cultures and operating environments of the different business units. The operative culture must support decentralised operation.

Recruitment is mainly focused on the suitability for a role and project validity.

Competence management

The premise for competence is a business strategy. The competence requirements of the personnel will be evaluated against business and personal goals as a part of the performance management process.

Personnel development will be agreed on with managers during the annual development discussions. The development discussion rate was 80% (93% in 2014). According to the personnel survey carried out in March 2015, the usefulness of the development discussions received a general score of 3.36 out of 5.

The long-term Talent Management programme for the development of management resources continued. The goal of the programme is to identify and nurture future talent so as to take on business unit and group-level management tasks; 16 people participated in the programme.

Development of managerial skills

The best teachers in developing competence are daily work and working together. In developing the competence of personnel, managers have been trained to utilise different methods for learning by doing and are encouraged

OBJECTIVES TO BE ACHIEVED BY 2018

- Patria employees find their work meaningful.
- Patria offers its personnel an opportunity for personal development
- Integration of work and family is easier than before.

FOCUS AREAS IN 2016

- To ensure the ability to work through different measures
- Utilising social media in employer image building

to try out new ways of developing the staff. The above include mentoring, benchmarking, workflow, shadowing and modelling.

The STEP training programme for managers was started by a new group. Info sessions were organised for the participants regarding topical matters such as employment, competence management, performance management, meeting procedures and early interventions. One business unit also carried out Future production manager training for a specialised vocational qualification. Managers were trained in seeing through changes and identifying the readiness for change.

Training

Patria has invested internally in the distribution of best practices and mutual learning exceeding business limits, for instance, in the use of the Lean operating model and the development of technologies.

The work of experts is highly valued, and a Group-level training programme has been designed for them, starting in early 2016.

The internal trainers of Patria have been trained in the use of new learning methods to achieve the reform. This know-how will also be utilised in training taking place in the customer interface.

To support the development of com-



Patria's performance bonus and profit-sharing scheme covers all of its personnel.

petence, a new online learning environment intended for all Patria personnel was deployed. This has remodelled the competence management process and produced new opportunities for learning and spontaneous development.

The personnel were trained in corporate security and the use of data systems.

Orientation

Orientation is centrally outlined and managers are in charge of providing orientation for their own subordinates. The orientation process includes general orientation, work and work community orientation, managerial orientation and the common orientation day for all new Patria employees, which introduces into the operation of the whole Group. In 2015 two common orientation days were organised. They were attended by 76 people.

Personnel commitment

In March 2015, Patria carried out a commitment and satisfaction survey which was completed by 82% of the Patria personnel. This is a clear indication of the Patria personnel's desire to have an impact on their own operation and working environment. According to the survey, Patria's strengths are the personnel's high commitment (3.8/5) and satisfaction with their superiors (3.6/5). In their managers, the personnel appreciated fairness, a customer point of view, taking opinions into consideration and decision-making.

According to the correlation survey, the following factors had the greatest effect on the commitment of Patria personnel: challenging tasks, work results, faith in the success of the company, trust in the ability of the business unit's

management to develop business, and opportunities for personal development.

Teamwork is one of Patria's strengths, supported by good team spirit and respect. The level of occupational safety is deemed high.

As per the survey, clear areas in need of development include trust in future and success, company reform, awareness of company goals, coping at work, and faith in the management.

The results of the personnel survey were analysed during the all day event organised for all Patria managers and in various events held at the business units. The managers went through the results in their own groups. If necessary, these events were facilitated by HR professionals. The implementation of corrective measures was monitored by business units.

Compensation

Patria aims to offer mid-level pay. The compensation of blue-collar and white-collar workers is determined by the pay systems of collective agreements. The compensation of senior salaried employees is agreed individually, and job evaluation is performed using the IPE system.

Periods of notice are as specified by law and/or personal agreements.

Successes and good performance are also rewarded through the performance bonus and profit-sharing scheme. Patria's performance bonus and profit-sharing scheme covers all of its personnel. In accordance with the system, each staff member may receive a maximum annual bonus and profit-share equalling 1.8 month's salary. The compensations paid are revealed in the annual financial statement.

In 2015, Patria adopted a compensation fund pursuant to the Act on Personnel Funds. Patria personnel may invest in the fund all or part of their bonuses and/or profit-shares earned from 2014 onwards. The compensation fund was joined by 22% of the personnel compensations paid.

Patria offers flexitime to its entire personnel. The organisation has been able to arrange part-time work, rotation and study leave opportunities to a great extent.

In 2015, Patria revamped the internal system for commemorating service years and special days, where material rewards were exchanged for an opportunity to take time off.

Personnel leisure activities were supported in the form of sports and culture vouchers and by sponsoring various club activities. Personnel leisure activities were supported to the tune of €100/person. In addition to this, Patria offers free coffee and sponsored lunch to all its employees.

Occupational health and safety

Health and safety at Patria is provided by Finla, which manages all online service-providers and informs all personnel of Patria's shared practices. Finla is also in charge of centralised reporting and cost-management.

During 2015, absences through sickness at Patria dropped by 0.2% to 4.0%. Employee absences through sickness dropped to 5.2%. For clerical workers, the figure increased by 0.1% to 3.0%. 49% of the personnel (56% in 2014) had no absences through sickness, and absences of 30 days or more formed 65% of the absences through sickness (68% in 2014). Occupational health negotiations were held 78 times (38 in 2014). The single major contributor to absences through sickness was musculoskeletal diseases (30%). The proportion in 2014 was also 30%. There was an alarming increase in the number of accidents during time off to 20% (15% in 2014). The proportion of mental health problems was 7% (10% in 2014). Occupational health costs comprised € 619/person, out of which anticipatory action (Kela I) comprised 53%.

Action taken

The year 2015 saw more extensive cooperation with occupational health operators and a rejig of reporting. Measures to avoid disability pensions were discussed with the employment pension company and occupational health on a regular basis. All managers engaged in discussions with the occupational health nurse regarding early intervention models and occupational health support in managerial problem situations. In addition to this, the employment pension company

gave managers training in professional rehabilitation.

To prevent musculoskeletal diseases, the ergonomics of production methods were improved and back rehabilitation, exercise during breaks as well as neck and shoulder rehabilitation were organised. The ergonomics of the working places of office workers were improved, for instance, by obtaining electrical desks.

Aslak rehabilitation was attended by a total of 20 people: one clerical worker group and one employee group.

The employees' return to work was supported by measures such as partial sickness benefit, rehabilitation support, adjusted and lightened work as well as changes in duties. A new operating model for replacement work was also deployed in early 2016.

Examinations by age group were carried out in accordance with the occupational health blanket plan as well as pre-employment medical examinations, health checks for employees who travel a great deal, and working place reports.

Patria has taken out a comprehensive health insurance to complement occupational health services such that all personnel will receive treatment without delay, avoiding lengthy absences through sickness.

The frequency of accidents was 19.7, compared to 17 in the previous year. The frequency of accidents has been calculated according to the guidelines provided by the Federation of Accident Insurance Institutions relating to accidents at work resulting in costs. The figure does not include occupational diseases or accidents at work. According to the statistics of the Federation of Accident Insurance Institutions, the frequency of accidents in motor vehicle and trailer manufacturing companies in 2014 was 60.9. Compared to this, the frequency of accidents at Patria is still low although the number has increased from the previous year. The 2015 figure was not available when the annual report was being created.

Discussions during the internal development day for occupational safety professionals organised by Patria on an annual basis touched on the effect of the human factor in accident situations

and measures to eliminate this effect. Furthermore, the current occupational safety improvement projects and best practices of business units were discussed. The 5S operating model was adopted in two business units.

Adjustment of operations

Personnel turnover was 5.2%, compared to 2.4% in the previous year. The target level is a turnover of 3%, which enables an optimal level of renewal in the organisation. This figure is estimated to have been affected by adjustment measures and the organisational changes put into effect.

The turnover % is calculated by taking the lesser of started and ended temporary employments and dividing that number by the mean number of personnel during the period. This figure takes into account employment that has ended, where a new person was hired to replace the old one. For example, adjustment measures have no effect on the statistic calculated in this way.

Cooperation negotiations were conducted in the Aerostructures and Land business units. The aim of the cooperation negotiations was to adjust the operation of the business units to correspond with the current, extremely difficult market situation, to ensure future competitiveness, and to maintain and secure strategically important functions and competences. In the course of these negotiations, company representatives engaged with the personnel, charting the various options for solving the difficult economic and production-related problems. Employment coaching sessions were arranged for people who were made redundant, in order to help them in finding new jobs and coping with the situation.

The need for staff cuts at the Patria Land business unit in February was narrowed down to 55 clerical workers and 19 employees. In addition, 10 production employees were temporarily laid off at the end of the year.

In May, the need for staff cuts at the Patria Aerostructures business unit was defined to nine persons. This included both temporary and permanent layoffs. Furthermore, almost all personnel were temporarily laid off during the account-

ing period for a maximum of four weeks, in addition to which 15 people were laid off on a part-time basis.

Employer image

The employer image that Patria presents outside the company is measured through regular participation in employer image surveys conducted by Universum. Among technology students, Patria's ranking in terms of employer image dropped from no. 31 to no. 33. Similarly, among employees in the technology sector, it dropped from No. 26 to No. 28.

According to the personnel survey carried out by Patria in March 2015, employee commitment remains high. According to the survey, staff members were enthusiastic with regard to their work, saw their work as being meaningful, did not want to change employers, and would recommend Patria as an employer.

The employer image will be developed further by letting Patria experts work as educators in universities and polytechnics and attend various events in addition to their work. Patria actively participates in different recruitment events and supports vocational schools by offering students work training schemes and the opportunity to attend lessons.

The use of social media was extended to recruiting and employer image.

FURTHER INFORMATION

Personnel statistics, p. 6

www.patria.fi/EN/ > [Corporate responsibility](#) > [Good employer](#)

- Competence development and training
- Compensation and remuneration
- Co-operation and employee influence

Long-term cooperation

Patria's partnership with its stakeholders is based on professional, reliable and open cooperation. Patria is developing its operations in a cost-effective way together with customers, subcontractors, suppliers and other stakeholders. Great examples of this are the partnership agreement signed with the Finnish Defence Forces early in 2015 regarding life cycle support services for military aviation systems as well as the extended partnership between Millog and the Finnish Defence Forces, which started at the beginning of the accounting period.



Patria aims to build constructive and open interaction with stakeholders. The Company maintains and develops the relationships with its stakeholders on the basis of feedback received.

At Patria, the operations are developed in collaboration with stakeholders. The long-term objectives include a cost-effective and competitive operation, adjusting the production capacity to match the operational changes of Patria's main customer, the Finnish Defence Forces, and developing and deepening cooperation. In 2015, the cooperation focused on new partnership agreements; updating the sustainability Essentiality Chart; combining the rules applied to Patria's lobbying strategy vis-a-vis stakeholders into a single set of guidelines; and increasing openness and transparency in the development of operations and interaction. The objectives were met as planned.

Partnership agreements

Several important cooperation agreements were made during the accounting period. Patria and the Finnish Defence Forces signed a strategic partnership agreement on the provision of life-cycle services for military aviation systems. It covers life-cycle support services for the Finnish Defence Forces' military aircraft and aviation systems, including the F/A-18 Hornet fighters of the Finnish Air Force and the NH90 transport helicopters of the Finnish Army, and the related systems.

A functionally significant change process commenced at the start of the accounting period: that of over 300 new Millog personnel joining the Group when the garrison repair shops of the Finnish Army and the maintenance centres of the Navy were integrated into Millog.

Other important cooperation and partnership projects include delivering reconnaissance vehicles for the Australian Land 400 project in collaboration

with BAE Systems Australia; the contract signed with Kongsberg Defence & Aerospace AS regarding certain important vehicle and weapon system projects in the Middle East; and the contract signed between the National Police Board and the syndicate formed by Portalify Oy, Codea Oy and Patria for the delivery of a Common Field Command System. In addition, a contract has been signed with Rauma Marine Constructions for the implementation of the Squadron 2020 project of the Finnish Defence Forces.

Key responsibility themes

A questionnaire carried out in the spring of 2015 charted stakeholder views on Patria's key Corporate Social Responsibility (CSR) themes. Patria's Corporate Social Responsibility focus areas are described in the Essentiality Chart, which takes account of the views of both staff and stakeholders. The key and most topical issues were partnership, security of supply and various issues related to ethical conduct. The stakeholders' views support the policies of Patria's Board of Directors and management. The Essentiality Chart is on page 34.

The table was drawn up for the first time in 2011. The greatest change in the updated table is an emphasis on partnership and maintenance reliability. Arms export practices and ethical conduct are key and a conscious emphasis has been placed on them.

Developing cooperation

Patria aims to build constructive and open interaction with stakeholders. The Company maintains and develops the relationships with its stakeholders on the basis of feedback received. The most important Group-level stakeholders are

the owners, the personnel, customers, suppliers, the authorities, organisations and the media. There is a summary table of stakeholder relationships on page 35. The rules applied to the Company's lobbying strategy towards stakeholders have been combined into a single set of guidelines in the ERP system, improving the openness and transparency of operations and interaction with different stakeholders. The guidelines are available at www.patria.fi.

A practical and effective procurement chain

The development of procurement chain management will continue. The deployment of the indirect procurement management model continued. To enable improved management, the Company specified a process for evaluating the suppliers' financial operations and ethical conduct and obtained a system for running background checks. There has been a conscious effort to reduce the number of suppliers so as to clarify the supply chain.

Influencing the defence materiel industry

The President and CEO of Patria continued in his role as the Chairman of the Finnish Defence and Aviation Industry Association (AFDA). There are also Patria employees active in AFDA's Board of Directors and various subcommittees. The Company plays a significant role in AFDA, among other things, in order to develop ethical conduct and communicate its importance to all member companies.

Through AFDA, Patria takes an active part in NORDEFECO, which is expanding Nordic defence cooperation. In 2015, AFDA chaired the collaboration between Nordic defence industry associations.

Patria continued as the chair of ELDIG, the European Land Defence Industry Group. This organisation operates under the auspices of the AeroSpace and Defence Industries Association of Europe (ASD) and serves as a forum for the land systems industry, promoting, among other things, standardised procedures across the industry. The industry within its sphere provides employment to approximately 100,000 people. The

ELDIG chairmanship circulates every second year.

Contacts with NGOs

During 2015, Patria met representatives of non-governmental organisations at various events. The Company organised an early-bird's networking event for the representatives of domestic organisations. These meetings shall be continued on a regular basis. The company was also in discussions with and suggested the development of CSR with the representatives of Transparency International UK regarding the Anti-Corruption Index meant for defence industry companies. Patria significantly improved its ranking in the index.

Sponsorship and donations

Patria continued the cooperation with the Finnish Aviation Museum Society, the Aviation Museum of Central Finland and the Finnish Aviation Museum with the objective of restoring the VL Myrsky ('Storm') fighter plane to its original appearance. Patria is the main sponsor of the project. Young people studying at a number of technical colleges and youth workshops in, for instance, Jyväskylä and Vantaa, are also involved in the restoration project. A key element of the project is to combat the marginalisation of the young. Patria continued its long-term cooperation with the Finnish Military Sport Federation. This will promote young people's sports-oriented lifestyle, even after their conscription. Patria has supported the Finnish national biathlon team since 2011 and continued to do so during the 2014–2015 season. Patria's CEO is the Deputy Chairman of the Biathlon Association and has excluded himself from any decision-making concerning the sponsorship.

In addition to this, Patria takes part in the United Nations Global Compact and supports its work through voluntary donations. Patria supported the Federation of Mother and Child Homes and Shelters, a nationwide child welfare organisation that helps children and families in difficult and insecure situations and prevents domestic violence, by donating funds for Christmas presents. The charity is annually chosen by the Patria Consultative Committee.

OBJECTIVES TO BE ACHIEVED BY 2018

- Our operations are cost-effective and competitive
- Our production capacity has been adapted to reflect the changes taking place with our principal customer, the FDF
- Our cooperation has become increasingly transparent
- We are familiar with the expectations of our partners, responding to them in an appropriate manner

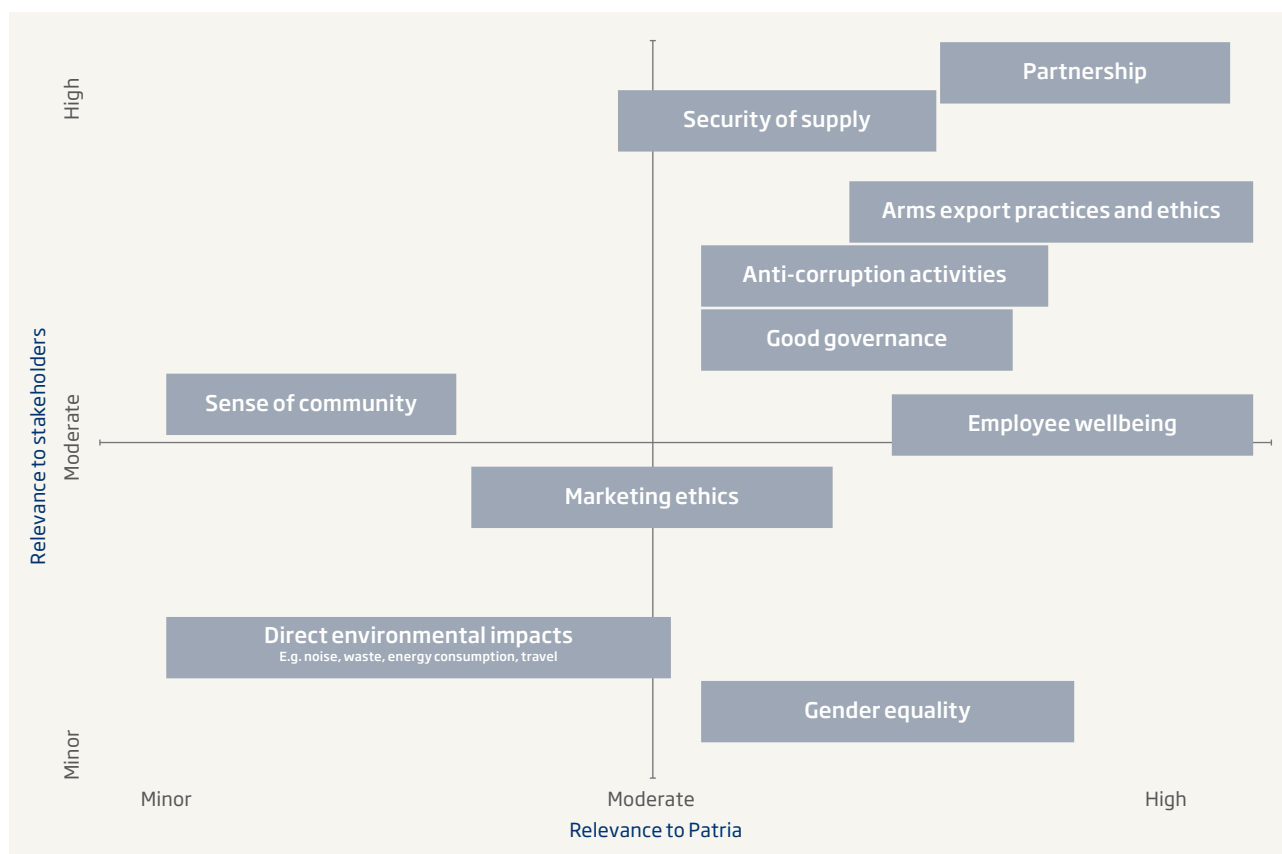
FOCUS AREAS IN 2016

- Reporting on corporate social responsibility will be expanded
- Creating mutual methods for all partners (business partners, consultants, agents, suppliers, subcontractors, customers)
- Openness and transparency will become an increasingly important element in the development of our operations and interaction



Patria plays a significant role in AFDA in order to develop ethical conduct and communicate its importance to all member companies.

Patria's Corporate Social Responsibility focus areas are described in the Essentiality Chart, which takes account of the views of both staff and stakeholders.



Partnership

Patria's operations are based on a good partnership with various players in the sector. A good partnership is defined in terms of professional, reliable, open and transparent collaboration, which can be embraced by all of the parties involved. Patria provides and develops cost-effective operations together with its stakeholders, and requires the same of them. Collaboration with customers, sub-contractors, suppliers and other stakeholders is long term and constructive.

Security of supply

A substantial number of Patria's functions and personnel have the responsibility for ensuring security of supply in exceptional circumstances. Security of supply involves ensuring that society continues to function in disruptive situations. This requires extensive cooperation between businesses, public authorities and industry associations.

Arms export practices and ethics

Patria adheres to Finland's official export permit practices, which are implemented in accordance with the regulations in force. The export control system is open, and every export permit is considered separately in accordance with the criteria of the EU Common Position. The Ministry of Foreign Affairs is responsible for Finland's foreign and security policy and the administration of the EU's export control system on behalf of Finland. Absolute obstacles to exports include United Nations and EU arms embargoes, which are strictly enforced. All export licences for military equipment granted in Finland are made public.

Anti-corruption activities

Patria has absolutely zero tolerance for corruption – corruption and bribery are forbidden throughout the company's operations. Patria and its employees must not pay or offer to pay bribes or make illicit payments to government officials or other parties in order to obtain or retain business, or for any other, similar reason. No member of Patria may receive personal benefits or gifts from stakeholders or suppliers, wherever such gifts are not in compliance with the applicable legislation or local business practices. Personal benefits or gifts may only be received if they are given during the normal course of business and are of nominal value.

Each year, all personnel complete online training on ethics and anti-corruption practices.

Good governance

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

Employee wellbeing

Patria holds transparent cooperation in high regard, placing a value on skills and experience, treating its personnel in an equal and just manner, and attending to the personnel's well-being. As an employer, Patria is responsible for ensuring a firm foundation for well-being: competent management, efficient work planning, and safe working conditions.

Sense of community

Patria strives for long-term partnerships with various local actors located close to its sites. In addition, open discussion with non-governmental organisations is essential to the development of a sense of community. Patria selects the targets of its non-profit activities on an annual basis. The policy has been to support activities in Patria's various locations preventing the social exclusion of young people. Compatibility with Patria's values and ethical code is a key factor in this.

Marketing ethics

The Patria way of operating is guided by factors such as the laws and regulations in force in each market, and various practices and agreements we have concluded with our customers and partners.

The key is to adhere to the marketing of Patria's values, ethical rules and operating instructions.

Direct environmental impacts

Patria acts in strict compliance with environmental laws and regulations. Patria is committed to improving the energy efficiency of the properties it manages, using natural resources responsibly and preventing damage to the environment by following the principle of continuous improvement.

Gender equality

Patria employees are treated equally and fairly. No one is discriminated against on the grounds of race, age, nationality, gender, sexual orientation, or other, similar factors.

Continuous assessment of stakeholder relationships

Stakeholder group	Interaction	Assessment
Owners	Board work, Annual General Meetings, management meetings and interaction with the owner, the Patria Magazine, briefings, press releases, Annual Reports, financial reviews, website	Feedback from the Board of Directors and the owner, feedback from the Audit Committee of the Board of Directors
Personnel	Open and continuous communication, Group meetings, annual development conversations, PR info and internal communication, intranet, Patria Day, staff magazine, training, occupational safety, initiatives and continuous improvement	Personnel satisfaction questionnaires, satisfaction and follow-up questionnaires of different business units, intranet questionnaires, internal feedback channels
Customers	Regular customer contact, life-cycle customer support for products, customer events and seminars, customer magazines, the internet, conferences and events, product documentation, customer feedback system, customer satisfaction surveys	Customer questionnaires, feedback, QA system, audits
Suppliers	Open and active interaction between the purchasing organisation and the suppliers, the ERP system, supplier days	Suppliers evaluations, audits
Authorities	Cooperation and reporting with the authorities regarding, e.g. the environment, occupational safety and security, CSR reports, company presentations, communication and the internet	Stakeholder questionnaires, feedback
Industry and business organisations	Membership in and active involvement with industry organisations (such as AFDA, NORDEFECO, ASD, ELDIG, Federation of Finnish Technology Industries)	Interaction, meetings, stakeholder feedback, visibility
Civic and other organisations	Open cooperation and meetings with civic organisations, memberships, support (e.g. Transparency UK, the UN Global Compact, FIBS, different civic organisations in Finland), CSR reporting, other reports, sponsorships, donations such as funding for Christmas presents to prevent the marginalisation of young people	Stakeholder feedback, quantity of communication and meetings, visibility
Educational establishments, students	Offering training and working opportunities, research and development projects, guest lectures, recruitment events, general presentations, visits, seminars, supporting student activities, the internet, the social media, campaigns and open door events	Employer image surveys, stakeholder feedback, number of recruitment event participants and questionnaires, feedback received
Media	National and international publications, magazines, online media, fairs and events, interviews, bulletins, the Patria Magazine, online magazine, the internet, the materials bank, the social media, meetings, visits, tours	Sounding questionnaires, interaction, feedback, media follow-up, the reach and correctness of messages, the tone of messages in the media, industry follow-up, social media activity and number of clicks on posts

FURTHER INFORMATION

Stakeholder-specific capital flows, p. 5

www.patria.fi/EN/ > Corporate responsibility >

Good partner

- Patria's certificates

Environmental responsibility

Patria is deeply familiar with the environmental impacts of its operations, products and services, taking active measures to reduce such effects. The Company fully abides by the provisions of environmental legislation, and ensures that all the permits required by the authorities are secured. Patria's most important production facilities have certified environmental systems in place.

Patria's business units are responsible for implementing the Group's environmental policy in their operations. The Company's key production sites have their own environmental management systems compliant with the ISO 14001 standard in place. The operations are developed, primarily using business unit- or site-specific environmental objectives and programmes. Environmental management is coordinated by the environmental experts of business units. The Aerostructures business unit of Patria started to build an environmental system early in 2015.

In October 2015, the environmental protection authority of the City of Nokia made a decision on the reviewing of the conditions of the environmental permit regarding Patria's operations in Linnanvuori. The environmental permit decisions pertaining to the Millog sites in Lyly and Siikakangas were also reviewed by the ELY Centre of Pirkanmaa in 2015. The municipality's environmental protection authority became the new controlling authority. Further action was carried out on the Halli site pertaining the implementation of the new conditions of the environmental permit granted in pursuance of the review of the permit by the Regional State Administrative Agency in 2014.

Environmental management in a changing operative environment

A greater than before share of the maintenance of the Finnish Defence Forces fell under Millog's responsibility on 1 January 2015. In addition to the maintenance of the Finnish Army, Millog's responsibility was extended to cover the repair and maintenance works of the Navy, which added a new

Marine business unit also to the area of environmental management. During 2015, Millog commenced to add the new functions of its 13 new sites to Millog's environmental system: at all of the sites persons in charge of the environment and waste-management were appointed, and environmental reviews were carried out on the sites. During the reviews, areas of development were identified and all required environmental instructions were specified. The persons in charge of waste management at the new sites have completed the basic-level hazardous waste management course organised by Ekokem.

In connection with the defence reform, Patria began the maintenance of Hawk jet trainers in Tikkakoski early in 2015. Safety Technology Authority granted a new explosives licence for the operation, pertaining to the explosives used in the escape systems of aircraft. Training was arranged for the whole personnel in the rescue plan and in the treatment and sorting of hazardous waste.

In line with the specification and implementation of the new operative model of the Land business unit, the common rules of environmental protection were distributed and presented to the whole personnel. These rules apply to chemical and waste treatment and environmental protection taking place outside the factory area.

Energy consumption

Fuel consumption

Mainly, the direct primary energy consumption by Patria in Finland comprises flight training, maintenance test flights, test use of gas turbines and diesel engines, vehicle testing and field tests as



Training was arranged for the personnel in the rescue plan and in the treatment and sorting of hazardous waste.



Both civilian and military flight training involve teaching an economic way of flying so as to reduce fuel-consumption.

well as own energy-production-related fuel-consumption. The consumption of aviation fuel and jet fuel by Finnish Defence Forces aircraft in military flight training and maintenance test flights is monitored by the Defence Forces.

The aircraft used in civilian flight training use aviation fuel, jet fuel and motor gasoline. During the maintenance and repair of diesel and gas-turbine engines, the engines are test run, which consumes aviation fuel and light fuel oil. Diesel is used in testing and field testing armoured wheeled vehicles. Heat energy for the Malmi property is produced using light fuel oil.

Both civilian and military flight training involve teaching an economic way of flying so as to reduce fuel-consumption. Careful planning and implementation of aircraft maintenance, repairs and modifications should prevent the need for any unplanned maintenance test flights. The number of maintenance test flights planned and carried out is monitored and, if necessary, the reasons for potential deviations will be investigated. In the design of armoured wheeled vehicles,

such as the AMV XP, reliability, economy and life-cycle costs have been areas of special attention.

Variations in the number of flying hours between different aircraft types cause subsequent variations in the annual consumption of fuels used in flight training. The use of motor gasoline commenced during 2013. The prime contributor to the consumption of jet fuel and light fuel oil in engine testing is the degree of production.

Electricity and heat-energy consumption in real estate properties

Patria's indirect primary-energy consumption comprises the electricity and heat-energy consumption of real estate properties. The main delivery method of heat energy to the premises managed by Patria is district heating. In Utti, the heat energy is produced using natural gas.

After the financial year Patria and Vapo signed two long-term agreements on heat supply to develop energy efficiency and increase the proportion of domestic fuels used. One agreement covers the construction of a new heating plant, operating on solid fuel to be constructed in Jämsä, the other concerns the extension of an agreement on heat supply to Patria's Linnavuori facility in Nokia.

Electricity is consumed by the properties' ventilation machines and lighting, computers, autoclaves, drying ovens and vacuum furnaces, freezers, vehicle water test pool, and other machinery and equipment used in maintenance, assembly and repair works.

In accordance with Society's Com-

OBJECTIVES TO BE ACHIEVED BY 2018:

- The energy-efficiency of real estate properties will improve by 3% by 2018. The heat-energy consumption of 2014 will be used as the starting level.
- Environmental systems will meet the requirements set in the new ISO 14001:2015 standard by 9 November 2018.

FOCUS AREAS IN 2016

- Identification of the effects produced by the new ISO 14001:2015 standard, including the implementation of the required changes in the procedures and instructions of operational systems
- Including the new Millog sites in the certified environmental system by the end of 2016.
- Implementing the environmental system in the operation of the Aerostructures unit
- Implementation of the new conditions of the environmental permits at Patria's Halli and Linnavuori

Improvement of real estate energy effectiveness

Consumption	Patria ¹⁾		
	2014	2015	Change-%
Heat, MWh	21,726 ²⁾	21,548	-0.8
Specific consumption, kWh/rm ³ L	30.0	29.6	-1.3

¹⁾ Halli, Hämeenlinna, Linnavuori, Malmi, Tikkakoski and Utti.

²⁾ The initial output level of thermal energy has been checked. The total consumption of thermal energy in 2014 no longer includes consumption at the Sastamala office, since Patria's own operations were terminated in Sastamala at the end of 2014.

mitment to Sustainable Development, coordinated by the Ministry of the Environment, Patria pledges to improve the energy-consumption of the properties it manages by three per cent by the year 2018. The heat-energy consumption of 2014 will be used as the starting level.

Caverion Suomi Oy is responsible, on behalf of Patria, for maintaining and improving the energy-efficiency of approximately 175,000 square metres of property. In 2015, Caverion created an energy review for Patria pursuant to the Energy Efficiency Act. In order to save electric energy, Patria has continued the real estate house automation adjustments, for instance, by reviewing the ventilation and lighting times. In addition to this, the use of LED lights has been increased and the personnel have been provided with energy reduction instructions. In order to reduce heat-energy consumption, for instance, the district heating water flow has been changed.

At the turn of 2014 and 2015, the project ordered by Patria from Reijlers Oy was completed, during which real estate energy and water consumption monitoring was improved. As a result of this project, the consumption of electricity, heat energy and water can be monitored on a real estate property basis. Real estate-specific consumption-monitoring helps to identify sources of increased consumption of electricity, heat or water more efficiently than before, supporting the identification of effective saving-measures. Potential water damages will also quickly be identified through automated alarms. Energy and water consumption will be monitored in real estate management steering groups.

The Sastamala ammunition production unit was sold to Nammo in December 2014 significantly reducing Patria's electricity consumption. At other sites, the level of production has a clear impact on the consumption of electric energy. The heat energy and electricity consumption has been reduced in Hämeenlinna due to reduced operations. The reorganisations and expansions carried out in Tikkakoski, Halli and Linnavuori may in part increase energy consumption on these sites.

What is more, weather conditions affect the annual consumption of heat energy. The new sites have increased Millog's energy consumption.

Water consumption

Among other things, grid water is used by Patria and Millog for washing equipment and parts, pressure testing containers, cooling down autoclaves and testing equipment, vehicle water test pools, and for household and sanitary water. Amongst other things, the changing of water in sinks happens according to a careful plan to reduce water consumption. For instance, in Linnavuori less water-consuming alternatives have been chosen when replacing water fittings.

The Sastamala ammunition production unit was sold to Nammo in December 2014 significantly reducing Patria's water consumption. Reduced operations in Hämeenlinna have also reduced water-consumption. The reorganisations and expansions carried out in Tikkakoski, Halli and Linnavuori may in part increase water-consumption on these sites. Another factor affecting the amount of water used is the level of production. An increase in the number of sites has increased Millog's water consumption.

At the Linnavuori site, lake water is used to cool different engine types after test runs as well as drying ovens and vacuum furnaces. The used cooling water is drained back into the lake.

Use of chemicals

Both Patria and Millog use different chemicals in the maintenance of aircraft, vehicles and engines, in repairs and assembly, in the maintenance of Army and Navy equipment, and in the construction of composite structures. The most commonly used chemicals are fuels at Patria and lubricants and greases at Millog. Others include paints, varnishes, solvents, adhesives, resins, sealants and cleaning agents. Chemical-consumption is especially affected by production levels and ongoing projects.

The handling and storage of chemicals happens in compliance with the legisla-



In 2015, Caverion created an energy review for Patria pursuant to the Energy Efficiency Act.

tion and licence conditions. Operational safety bulletins are available for all chemicals used. Both employee orientation and work instructions emphasise the importance of familiarising oneself with the operational safety bulletins before commencing work. Instructions on the safe use and storage of chemicals are made available to employees as required. The required site-specific codes of conduct and work instructions must be adhered to in all work.

There is an ongoing endeavour to replace harmful chemicals with less harmful ones to the degree allowed by techno-economic possibilities. For instance, the Aerostructures and Aviation business units have partly moved on to chrome-free sealants alternatives. The experts of Patria are looking into more harmless product alternatives. When replacing products, the customer's approval process must be taken into account. Some of the manufacturers of acquired chemicals have also changed the composition of their products to make them less hazardous. Trichloroethylene, which is used in grease-removal, will be replaced by a less harmful product. In order to adopt the replacement chemical, new equipment has been procured for Linnavuori and an equipment acquirement proposal has been made for Halli.

The chemicals are imported by the Aviation business unit. In connection with the REACH project implemented in business operations, the requirements of the REACH decree and their consideration in operations have been assessed. Patria is



using approximately ten products whose use will in the future require a permit pursuant to the REACH decree because no replacement material or method has been discovered.

Chemical experts continuously assess chemical risks at the sites of the Aviation business unit of Patria. In 2015, risk analyses were carried out in Halli, Linnavuori and Pirkkala. Primarily, these risk assessments concentrate on the employees' exposure to chemicals, but the assessors also check the labelling of containers and provide any required instructions in the use of chemicals and protective equipment. The assessment of chemical risks includes an account on the possibilities of replacing the most hazardous chemicals.

Waste

The operations of Patria and Millog produce common municipal waste, scrap metal, hazardous waste and construction and industrial waste. The Company endeavours to reduce the quantity and hazardousness of waste. The waste is sorted at the source for recycling and

other utilisation or disposed for final storage pursuant to the waste treatment regulations of the municipalities.

Measures have been taken at Patria and Millog sites to reduce the amount of mixed waste and to improve waste recycling and other utilisation. For instance, on the Linnavuori site, extensive information on waste sorting has been provided for the entire personnel via weekly bulletins and the intranet, in addition to both theoretical and practical training. Eco cleaning has also been adopted. Waste sorting control panels have been installed in some of the buildings at the Halli site. In Hämeenlinna, waste sorting has been facilitated by clearer labelling and better positioning of waste containers. EfW containers have been replaced by bigger containers. To reduce the amount of mixed waste, separate collection of clear plastic has started on the Hämeenlinna site.

Hazardous waste is sorted and stored in accordance with legal requirements and delivered to Ekokem for treatment. The improvement of hazardous waste treatment instructions has started at

Halli.

Emissions into air

Carbon dioxide emissions

Patria's direct carbon dioxide emissions are caused by engine and aircraft test runs, flight training, maintenance test flights, armoured wheeled vehicle tests and field testing as well as the Company's own heat-production.

Indirect carbon dioxide emissions are caused by travel as well as electricity and heat-energy consumption. The energy-efficiency improvements made to the real estate properties managed by Patria reduce in part the indirect carbon dioxide emissions caused by the energy consumption of the properties. Travel between the different sites of the Group is reduced, among other things, by the use of video or online conferences. Public transport such as train is recommended instead of use of car. Carbon dioxide emissions reduced by 4.7 % related to flight travelling but increased by 3.9 % related to use of car. Altogether carbon dioxide emissions decreased by 2.9 %. Travelling figures are related to the number of ongoing projects.

VOC emissions

Protective lacquering, painting and cleaning processes create VOC (VOC = Volatile organic compounds) emissions. The exhaust air ducts of the Halli paintshops have been equipped with dry filters, which remove drops and solid particles from the exhaust air. In as many cases as possible the switch has been made to low-solvent surface paints. Pöyry Finland Oy gauged the VOC emissions at Halli in 2015. The limit values were not exceeded.

Noise emissions

Noise emissions are mainly caused by the test runs of engines and aircraft, by flight activity and by test firing. At the Linnavuori site, engines are test run inside caves. The silencer has been installed in the opening of exhaust pipe to reduce noise. In Halli, aircraft testing is done inside a separate testing facility. In Tikkakoski, a silencer has been

installed on the test site.

Noise levels are monitored, for instance, in Linnavuori using noise metering compliant with the rules and conditions of the environmental permit.

Tests, maintenance, test runs and firing tests performed outside the factory area

The objective of the Land business unit is to improve the level of control over the environmental impact of installations and testing performed outside the factory area. Measures are taken to reduce the environmental impact, for example, by organising hazardous waste treatment and abiding by local regulations, guidelines and destination-specific

implementation possibilities.

In the autumn of 2014, Patria agreed with Lohtaja and the Karhi partition units on the rules to be applied to the use of the water areas off the shore of the Vattaja shooting range, including compensations to be paid for the use of these areas. These mutually agreed rules help secure both the development of Patria's weapons systems and leisure and fishing options for the local population in the Vattaja area owned by the partition units.

In firing tests, Patria abides by the recommendations of the Finnish Forest and Park Service regarding targets. The aim here is to sustain the special features of the Lohtaja dunes and, in some cases, to

prevent natural regeneration. In 2015 Patria arranged firing tests during two weeks.

Monitoring the condition of the environment

To monitor environmental conditions, Patria's various sites on a regular basis analyse subsoil, surface and/or storm water samples, as well as samples obtained from sewage water, and conduct noise measurements. The results thus obtained are reported to the environmental authorities. In 2015, no deviations from the limit values were discovered in the monitoring.

Electricity and thermal energy consumption

Consumption	Patria ¹			Millog ²			Total		
	2014	2015	Change-%	2014	2015	Change-%	2014	2015	Change-%
Heat, MWh	21,726	21,548	-0.8	14,227	15,000	5.4	35,953	36,548	1.7
Electricity, MWh	21,013	21,165	0.7	10,313	12,500	21	31,326	33,665	7.5

Consumption	Patria ¹		
	2014	2015	Change-%
Electricity, MWh	21,013	21,165	0.7
Specific consumption, kWh/rm ³ S	26.6	26.9	1.2

¹ Heat: Halli, Hämeenlinna, Linnavuori, Malmi, Tikkakoski and Utti. Sastamala's thermal energy consumption in 2014 was 4,826 MWh.

Electricity: Halli, Hämeenlinna, Linnavuori, Malmi, Tampere, Tikkakoski and Utti. Sastamala's electrical energy consumption in 2014 was 8,219 MWh.

² Electricity and heat: Ilveskallio, Kalkku, Lievestuore, Lyly, Riihimäki, Siikakangas and Tervola. 2015; in addition, three new offices.

Patria's direct primary energy consumption

Fuel	2013	2014	2015	Change-%
Diesel, 1,000 l	n/a	70.4	40.1	-43.1
Light fuel oil, 1,000 l	80.1	89.8	105.0	16.9
Aviation gasoline AVGAS, 1,000 l	49.1	39.4	8.09	-79.5
Kerosene JET-A1, 1,000 l	493.0	506.2	545.5	7.8
Motor gasoline MOGAS, 1,000 l	8.8	42.7	51.1	19.6
Total, 1,000 l	631.0	748.6	749.8	0.2

Water consumption

Consumption	Patria ¹			Millog ²			Total		
	2014	2015	Change-%	2014	2015	Change-%	2014	2015	Change-%
Network water (m ³)	32,268	23,211	- 28.1	18,125	19,000	4.8	50,393	42,211	- 16.2
Lake water (m ³)	n/a ³	134,851	n/a ³	-	-	-	n/a ³	134,851	n/a ³

¹ Patria, 2015: 1) Halli, Hämeenlinna, Linnavuori, Tikkakoski and Utti. 2014, also Sastamala.

² Millog, 2014: Ilveskallio, Kalkku, Lievestuore, Lyly, Riihimäki, Siikakangas and Tervola. 2015; in addition, three new offices.

³ Due to a meter reading error, consumption data on lake water is unavailable from 2014.

Waste amounts

Waste fraction	Patria ¹				Millog ²				Total			
	2013	2014	2015	Change-%	2013	2014	2015	Change-%	2013	2014	2015	Change-%
Paper (t) (incl. data protection paper)	36	39	41	6	19	15	18	20	55	54	59	10
Cardboard (t)	62	73	53	-27	17	20	22	10	79	93	75	-19
Wood (t)	98	90	100	11	20	5	10	100	118	95	110	16
Biowaste (t)	57	58	56	-4	9	-	-	-	65	58	56	-4
Metal (t)	574	488	109	-78	590	670	480	-28	1,164	1,158	589	-49
Energy waste (t)	91	90	80	-12	7	-	-	-	98	90	80	-12
Mixed waste (t)	195	225	181	-20	126	135	150	11	321	360	331	-8
Construction and industrial waste (t)	10	44	28	-36	10	-	2	-	19	44	30	-31
Hazardous waste (t)	216	258	182	-29	179	203	240	18	395	461	422	-8
Total (t)	1,338	1,365	830	-39	976	1,048	922	-12	2,314	2,413	1,752	-27

¹ Patria, 2015: Halli, Hämeenlinna, Linnavuori, Malmi, Tikkakoski and Utti. 2014, also Sastamala. 2013; also Sastamala - not Malmi, Tikkakoski and Utti.

² Millog, Millog, 2013-2015: Ilveskallio, Kalkku, Lievestuore, Lyly, Riihimäki, Siikakangas and Tervola. In 2015, data on hazardous wastes was collected from 15 offices.

Noise

Noise	2013	2014	2015
Noise index ¹	1.01	0.84	0.62
Test-run noise, dB ²	45.3 - 51.2	50.0 - 54.5	55.2 - 56.0

¹ **Noise index** = Total number of test-run flights implemented by Hornet and Hawk fighter planes serviced by the Aviation business, relative to the total number of planned test-run flights. Patria is capable of affecting the total number of required test flights by careful planning and implementation of servicing. The air force flies the test flights.

² **Test run noise.** Engine test runs at Linnavuori cause noise, which is reduced by means of the muffler in the opening to the exhaust outlet. The noise caused by test runs is monitored from the closest residential areas (Ainonkuja, Vuorenhovi) through annual noise measurements. The amount of background noise affects the measurement results.

Use of chemicals

Chemical group	2013	2014	2015	Change-%
Paints, varnishes and similar (kg)	13,183	11,177	12,564	12.4
Solvents (kg)	10,851	15,589	14,174	-9.1
Adhesives, resins, sealants (kg)	2,308	1,779	2,457	38.1
Cleaning agents and detergents (kg)	9,497	8,795	8,020	-8.8
Lubricants and oils (kg)	117,638	181,773	158,256	-12.9

Patria, 2015: Halli, Hämeenlinna, Linnavuori. 2014, not Aerostructures (Halli). 2013, not Hämeenlinna.

Millog, 2013–2014: Ilveskallio, Kalkku, Lievestuore, Lyly, Riihimäki, Siikakangas and Tervola. 2015; in addition, seven new offices.

Emissions into air

Emissions into air	2013	2014	2015	Change-%
VOC emissions (kg) ¹⁾	11,800	11,601	9,144	-21
Trichlorethylene (kg) ²⁾	2,044	1,825	1,778	-3

¹⁾VOC emissions, 2015: Halli and Linnavuori. 2014, also Sastamala, not Aerostructures Oy (Halli). 2013, also Sastamala.

²⁾Trichloroethylene, 2013–2015: Halli and Linnavuori.

FURTHER INFORMATION

www.patria.fi/EN/ > Corporate responsibility >
Environmental responsibility

Risk management and internal control

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

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

The primary responsibility for risk management and internal control lies with the business units and Group services in their area of responsibility. Patria's Group services provide guidelines for risk management and internal control, and perform monitoring on different levels. The Internal Audit Function and the Auditors, safety and quality auditors, as well as customers, monitor and evaluate the effectiveness of risk management and internal control. The Board provides the ultimate oversight and direction for risk management and internal control. The Audit Committee of the Board monitors the effectiveness of risk management and internal control. The CEO is responsible for the proper functioning and monitoring of the Group's risk management and internal control. Patria also has a risk management steering group that supports the Group and business unit management in the planning, development, and implementation of risk management processes.

Risk management

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



of the daily operations of the business units and Group services.

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

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



The Audit Committee of the Board monitors the effectiveness of risk management and internal control.

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

Identifying business risks

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

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

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

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

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

Environmental risks

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

Compliance risks

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

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



Patria also has a risk management steering group that supports the Group and business unit management in the planning, development, and implementation of risk management processes.

internal or external channel.

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

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

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

Offsets

In the field of defense procurement offset is a common requirement and usually a prerequisite of defense contracts. In an offset agreement a company is committed to industrial participation and other possible compensation obligations as a consequence of the supply agreement. The offset requirements depend on country-specific rules and procurement specific requirements. Offset requirements set by the State of Finland are in a key position in creating security of supply when the state is procuring new systems. From this point of view the requirements set by the State of Finland are directly linked to orders Patria receives.

PIn its export activities Patria may participate in direct or indirect offset arrangements and activities where such are required by the specific government procuring defense equipment from Patria, and where such activities and arrangements create and add value directly (activities related to performance of the main agreement) or indirectly (activities unrelated to performance of the main agreement).

Patria may decide to participate in offset arrangements where participation is in the business interest of Patria Group as a whole, where the value of offset engagements is proportionate to the value of the main agreements or transaction, and provided that such activities are steered and monitored by executive management with clear accountability. Participation in offset arrangements and activities are carried out according to the rules and policies of concerned countries. These offset arrangements may also include externally created offset activities as well as actions on behalf of other entities having offset liabilities when this is possible under applicable rules and policies. Mutual abatements or swaps of offsets are also possible, where performed under applicable regulations and with consent of relevant authorities and agreements.

Patria's offset obligations are duly reported to management, board of directors and audit committee nominated by board of directors of Patria Oyj.

The absolute requirements for all offset arrangements and activities are the following:

- applicable laws, regulations and international treaties allow offset arrangements.

- the arrangements are in compliance with Patria Group's ethical and compliance policies and guidelines related to offset, Patria Group's Ethical Guidelines, and subject to applicable due diligence on any and all partners and vendors related to such offset arrangements and transactions, with special focus on ensuring anti-corruption.
- Patria conducts a thorough legal analysis of the applicable offset regulations in the specific country in question to mitigate legal risks and to ensure compliance of Patria's offset activities.
- All the relevant financial and non-financial risks are assessed and mitigated.
- The offset engagements are proportionate to the value of the main agreement or transaction.

Performance of offset obligations of Patria:

- Patria Group's offset obligations are conducted materially within Patria's Land business unit (estimated presently at 95% of Patria Group's offset related obligations). The offset obligations of the other business units are minor and are conducted mainly within Patria's Systems and Aviation business units.
- Land business unit has specific processes and defined roles and responsibilities concerning offset activities during marketing and as well as sales activities and concerning implementation of offset contracts.

EU directives have an effect on the markets

The European markets are closely monitoring the effects of EU directives intended to open up defence materiel markets. Change was sparked off by the EU Defence and Security Procurement



Directive of 2009 (2009/81/EC), which was integrated into the national legislation of member states. In Finland, national legislation (1531/2011) putting the directive into effect was enacted at the beginning of 2012. The directive opened up a considerable share of formerly national defence materiel procurement to international competitive bidding.

The aim of the directive is to open up markets and increase competition. However, in the worst case scenario, it is thought that the new legislation and the time required to form the related practices could lead to processes which delay procurements.

Corporate governance



In addition to its statutory duties, the Board's principal duty is to make decisions on the Group's strategic focus and to monitor and steer the Group's business operations.

Applicable statutes, guidelines and recommendations

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

Group organisation and administrative system

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

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

Consultative committee

According to the Articles of Association, Patria Oyj must have a Consultative Committee appointed by the General Meeting of Shareholders. The Articles of Association further state that the

Board of Directors shall consult the Consultative Committee on matters that concern major decrease or increase of operational activities, material changes in the company's organization, and on issues which are otherwise of material importance to the industry that the company is engaged in, either in Finland or internationally.

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

Composition of the board of directors and the election procedure

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

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

Principal duties of the board of directors and distribution of duties

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

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

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

Nomination and Compensation Committee consisted of three members.

The President and CEO and the group management

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

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

The General Counsel & Chief Compliance Officer, the Vice President of Human Resources, the Vice President of Corporate Communications, and the Chief Strategy Officer form a Corporate Responsibility Team and are responsible for corporate responsibility. Patria's General Counsel & Chief Compliance Officer and Patria's Ethics Officer are responsible for the ethics- and compliance issues and activities in the Corporate Responsibility Team. Corporate responsibility related major issues are reviewed by Patria's Board of Management and major issues in this field are reported to the Board of Directors as well as the Audit Committee by the General Counsel & Chief Compliance Officer. Responsibility for ethics and compliance related issues rests with the Audit Committee.

Compensation and benefits

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

Monitoring and controls

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

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

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

Group management

Patria Group's president and CEO is assisted in Group management by the Board of Management, which convenes monthly. Operational transparency and responsible operations form part of the management system and provide the basis for the strategic planning of operations from the outset.



Heikki Allonen, b. 1954
President and CEO

Master of Science (Eng.)
Employed by Patria since 2008



Jukka Holkeri, b. 1962
**Chief Strategy Officer,
Deputy to the President and CEO**

Master of Science (Eng.)
Employed by Patria since 1988



Ville Jaakonsalo, b. 1971
Chief Administration Officer (CAO)

LL.M./MBA
Employed by Patria since 2010



Hanna Kyrki, b. 1962
General Counsel, Chief Compliance Officer

Master of Laws, EMBA
Employed by Patria since 2014



Mika Kari, b. 1969
President, Land

Master of Science (Eng.)
Employed by Patria since 2013



Lassi Matikainen, b. 1961
President, Aviation

Master of Science (Eng.)
Employed by Patria since 2008



Pasi Niinikoski, b. 1961
President, Systems

Doctor of Science (Techn.)
Employed by Patria since 2006

Board of Directors

The Board of Directors is responsible for the management of Patria Group and the appropriate organisation of its operations, in accordance with legislation, the Articles of Association and any instructions issued by the General Meeting of Shareholders. The Board's principal duty is to make decisions on the Group's strategic policy, as well as to guide and monitor the Group's business operations. During the 2015 accounting period, the Board met nine times. In the Board of Directors the Audit Committee is responsible for ethics and compliance issues.



Christer Granskog, b. 1947
Chairman
 Master of Science (Eng.)
 Board member since 2010



Kirsi Komi, b. 1963
Vice Chairman
Chairman of the Audit Committee
 Master of Laws
 Board member since 2011



Kari Rimpi, b. 1947
 Lieutenant General (Ret.)
 Board member since 2012



Sari Helander, b. 1967
 KTM
 CFO, Posti Group Oyj
 Board Member since March 2015



Marko Hyvärinen, b. 1969
 Financial Counsellor, Prime Minister's Office,
 Ownership Steering Department
 Board Member since March 2015

Consultative Committee

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

During the current financial period, the committee had 11 members.
In 2015, the Consultative Committee convened three times.

Consultative Committee

Sinuhe Wallinheimo

Chairman
Member of Parliament
Member since November 2015

Mikko Savola

Member of Parliament
Member since November 2015

Jussi Karimäki

Equipment Assembler, Patria
Member since 2009

Kalle Hyötynen

Vice Chairman
Member of Tampere city council
Member since November 2015

Petri Peltonen

Director General, Department of Enterprise and Innovation, Ministry of Employment and the Economy
Member since 2012

Juha Kuusi

System Specialist, Patria
Member since 2011

Mika Kari

Member of Parliament
Member since November 2015

Raimo Vistbacka

Master of Laws
Member since 2012

Petri Pitkänen

Workshop Manager, Patria
Member since 2013

Kari Takanen

Rear Admiral,
Chief of Defence Command
Finland
Member since November 2015

Eero Järvinen

Armoured Vehicle Mechanic,
Patria
Member since April 2015

GRI Content Index

Reporting and calculation principles

This is Patria's fifth Corporate Responsibility Report. This report covers the progress during the period from 1 January to 31 December 2015. The report covers all subsidiaries of which Patria owns more than 50%. These are described in the Annual Report. Nammo (50% owner-

ship) publishes its own reports. The data for the report was gathered from Patria Group's internal data systems. Personnel figures were obtained from the Group's ARC HR information system. Accident statistics came from insurance company's data system. Environmental figures were acquired from location-specific environmental reports.

GRI Content Index		Page(s)	Notes
Standard Disclosure			
1.	Strategy and Analysis		
1.1	CEO's statement	7-8	
1.2	Description of key impacts, risks, and opportunities	9-10	
2.	Organizational Profile		
2.1-2.8	Organizational profile of Patria	3	
2.9	Significant changes regarding size, structure or ownership	7; 19; 20	
3.	Report Parameters		
3.1-3.4	Report profile, scope and boundary	51	
3.5	Determining materiality	32; 34	
3.6-3.11	Reporting boundary and data measurement	24; 51	
3.13	Approach to external assurance		The report is not externally assured
4.	Governance, Commitments & Engagement		
4.1-4.4	Governance	23; 46-47	
4.8	Values, codes of conduct and principles	11	
4.9	Procedures of the highest governance body for overseeing the management of economic, environmental and social performance	47	
4.11	Precautionary approach	44	
4.12	External charters and initiatives	23	
4.13	Memberships in associations	33	
4.14-4.17	Stakeholder engagement	32-33; 35	

GRI Content Index		Page(s)	Notes
Performance Indicators			
Economic Responsibility			
Disclosure on Management Approach			
EC1	Economic value generated and distributed	5	
EC3	Coverage of defined benefit plan obligations		Notes to the Consolidated Financial Statements, 7. Personnel expenses
Environmental Responsibility			
Disclosure on Management Approach		36	
EN1	Materials used	38; 42	
EN3	Indirect energy consumption	36-37; 40	
EN4	Direct energy consumption	37; 40	
EN7	Initiatives to reduce indirect energy consumption	37-38	
EN8	Water withdrawal	38; 41	
EN14	Actions for managing impacts on biodiversity	40	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	37-39	
EN20	Other significant air emissions, incl. noise	39; 41-42	
EN22	Wastes	39; 41	
EN26	Initiatives to mitigate environmental impacts of products and services	38	
Social Responsibility			
Labor Practices & Decent Work			
Disclosure on Management Approach		28	
LA1	Total workforce by employment type, employment contract and gender	6	
LA2	Employee turnover	6; 31	
LA7	Rates of injuries and absences	6; 30-31	
LA8	Training, counseling and prevention regarding serious diseases	30-31	
LA11	Programs for skills management and lifelong learning	25; 29	
LA12	Performance and career development reviews	29	
LA13	Composition of governance bodies and breakdown of employees	6; 48-50	
Society			
Disclosure on Management Approach		25	
S02	Analyzed risks related to corruption	26-27	
S03	Employees trained in anti-corruption policies and procedures	25	
S04	Actions taken in response to incidents of corruption	27	
S05	Participation in public policy development and lobbying	33	
S06	Financial and in-kind contributions to political parties		Patria does not contribute to political parties
S08	Fines and sanctions for non-compliance with laws and regulations	8; 27	

Patria

Patria Oyj
Kaivokatu 10 A, 00100 Helsinki
info@patria.fi



PatriaMedia



Patria Oyj



@PatriaOyj



Patria