

2013

Annual performance

nammo

Our vision

Securing the Future

- We will protect our national and allied forces with high-quality defense products
 - We will secure the future development of eco-friendly products, processes and services
 - We will secure our continued growth based on a strong financial performance
 - We will develop and secure a long-term, sustainable business for our customers and employees
 - Our future development depends on a secure and safe working environment
-

Our values

Dedication

We are enthusiastic and creative, always searching for the best solutions

Precision

We are reliable and accurate in our technology, processes and business

Care

We are inclusive and open-minded, always encouraging team spirit and cooperation

Licensed to export

The Nammo Group is part of the global defense industry. Our mission is to fulfill our owners' request to be a profitable and trustworthy company. Industries dealing with defense products are very often scrutinized by the stakeholders and by society as a whole. This is both important and necessary. Our products are developed to fulfill the needs of our national armed forces and their allies, so that they can perform their jobs under secure conditions – to defend democracy and protect civilians, thus securing the future for all of us.

All Nammo products are always developed in close cooperation with the individual national customers, and the group's sales force must always act according to the national authorities' export regulations. Nammo's vision is Securing the Future. This is also about building a sustainable business both for the customers and the employees, with a strong focus on safety and security. Being a trustworthy company is crucial for companies operating in the defense industry.

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Market reinforcement

2013 was a good year for Nammo. Turnover was up 11.8 percent and net income before tax is NOK 482 million, giving 13.0 percent ROS. We have continued to grow our already wide portfolio of products. At the same time we have had all time high production and shipment figures. We are three times larger than at the turn of the century; located in 9 countries, on three continents, with production facilities in 7.

I am pleased to report that, despite a more challenging market with substantial pressure on defense budgets, we continue to offer attractive solutions, strengthening Nammos's already solid position in the ammunition, the rocket motor business and demilitarization.

We have grown substantially in 2013. In fact, 2013 could be characterised as the year of acquisitions, the most recent being the Finnish propellant plant Eurenco Vihtavuori Oy. For almost a century this plant has been the main supplier of propellants and powders to the Finnish Defense Forces – providing components used in Finnish artillery, mortars as well as medium and small caliber ammunition. Following this acquisition we have signed a partnership agreement and thus strengthened our position with the Finnish Ministry of Defense, securing a long-term agreement within the areas of ammunition and propellants.

We have complemented our current range of speciality products by acquiring the Palencia ammunition factory in Spain and are now well positioned to meet customer

demand for suppliers who can supply product mix packages covering both speciality and standard ammunition, offering a complete range of ammunition. Through Palencia we are increasing our market opportunities as well as broadening our current product portfolio; making this a perfect match!



With the Pocal acquisition, a US based company, we have strengthened our business within mortar training and service ammunition. The new unit will definitely continue to be an excellent supplier to the US government as well as contribute to the development of the company internationally.

The One Nammo initiative continues with persistence. The more synergies we can take out, the better we can secure the future for our customers as well as our employees. We are already seeing good results. In April 2013, a global procurement forum was formed, where procurement leaders from each business unit are working together to leverage our purchasing power and overcome our supply chain challenges.

CSR is increasingly becoming more and more integrated into our business approach. Our ambition is to continuously improve and be transparent through our entire value chain. In line with the 10 principles of UN Global Compact we will, for the upcoming period, have special focus on the following four areas; empowering women, anti-corruption work, the abolition of child labor and environmental friendly innovation.

In all aspects of our business, we strive to improve every day. Only by doing that we can continue to offer attractive and affordable solutions and at the same time strengthen the overall reputation of Nammo. Our employees are committed to maintain a safe, respectful, professional and evolutionary work environment and are highly motivated to fulfil commitments and exceed customer expectations.

I thank all our customers, partners, suppliers and employees for contributing to making 2013 a great year for Nammo.

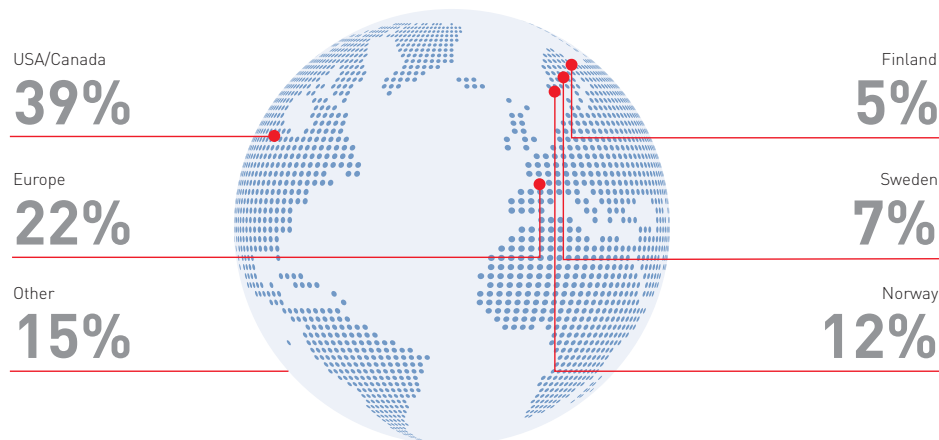
A handwritten signature in blue ink, appearing to read 'Edgar Fosheim', with a stylized flourish at the end.

Edgar Fosheim, President & CEO

Key figures

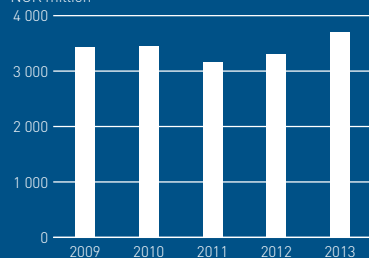
(NOK 1 000)	2009	2010	2011	2012	2013
Order stock	4 437	3 410	3 460	3 464	3 832
Sales	3 439	3 448	3 165	3 311	3 703
Earnings before interest and tax (EBIT)	407	435	427	459	489
Net income before tax (NIBT)	410	433	435	464	482
Net profit of the year	268	280	290	319	327
Total assets	2 906	2 906	2 988	3 509	3 666
Total equity	1 161	1 305	1 480	1 603	1 835
Total liabilities	1 726	1 575	1 480	1 875	1 802
Average man years	1 872	1 940	1 876	1 922	1 954
Economic value added (EVA)	178	212	151	173	160
Return on sales (ROS)	11.9 %	12.6 %	13.7 %	14.0 %	13.0 %
Return on equity (ROE)	22.9 %	24.2 %	22.2 %	21.5 %	20.4 %

Sales per region



Sales

NOK million



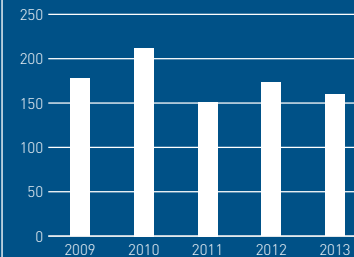
Sales

3 703

NOK million

Economic value added (EVA)

NOK million



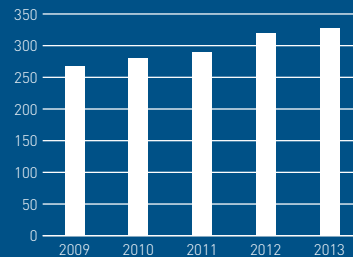
Net profit of the year

327

NOK million

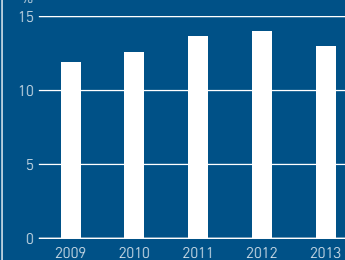
Net profit of the year

NOK million



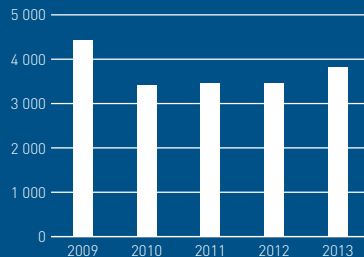
Return on sales (ROS)

%



Order stock

NOK million



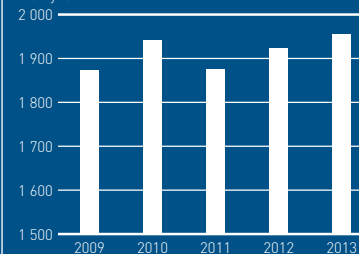
Order stock

3 832

NOK million

Average man years

Man years



Nammo in brief

Headquartered in Raufoss, Norway, Nammo is a technology-driven aerospace and defense group specializing in high-performance defense and space solutions.

The company was founded in 1998, based on a merger of three major Nordic defense companies: Celsius AB, Patria Industries Oyj and Raufoss ASA.

Ownership

Nammo's shareholders are the Norwegian Government represented by the Norwegian Ministry of Trade, Industry and Fisheries (50 percent) and the Finnish Defense and Aerospace Group, Patria Industries Oyj (50 percent).

Organization

Nammo is driven by precision engineering, a dedication to safeguarding the environment, and the development of innovative, global solutions. With a total of 22 production sites and sales offices, Nammo operates through 5 business units: Small Caliber, Medium and Large Caliber, Missile Products, Demilitarization, and Nammo Talley. Nammo employs around 2 200 experts in 9 countries and the annual revenue is NOK 3.7 billion.

Core business

Nammo's innovative, wide-ranging products and services are implemented world-wide. Its broad portfolio includes shoulder-launched munitions systems, military and sports ammunition, rocket motors for military and space applications, and environmentally friendly demilitarization services.

Customer base

As a technology-driven aerospace and defense group, the majority of Nammo's business comes from national armed forces and national defense industries in the countries where the organization operates. The remaining portion of the company's business is comprised of commercial sales of services as well as sports and security products.

Demil Division

Disposal and demilitarization of conventional ammunition and explosive products.

- Nammo Vingåkersverken (Vingåker, Sweden)
- Nammo Demil Division (Vingåker, Sweden)
- Nammo Buck (Pinnow, Germany)
- Nammo NAD (Løkken Verk, Norway)
- Nammo Demil (Arlington in Virginia, USA)

Small Caliber Division

Technology, services, propellants and products of small caliber ammunition, ranging from 4.6 to 9.3 mm, including combat and premium projectiles, cartridge technology and commercial brands.

- Nammo Lapua (Lapua, Finland)
- Nammo Lapua (Vantaa, Finland)
- Nammo Vanäsverken (Karlsgöteborg, Sweden)
- Nammo Schönebeck (Schönebeck, Germany)
- ND PressTec (Schwerte, Germany)
- Nammo Tactical Ammunition (Mesa, USA)
- Nammo Vihtavuori (Vihtavuori, Finland)

Medium & Large Caliber Division

A broad range of medium and large caliber combat and training ammunition for army, navy and air force applications.

- Nammo Raufoss (Raufoss, Norway)
- Nammo Bakelittfabrikken (Aurskog, Norway)
- Nammo LIAB (Lindesberg and Karlskoga, Sweden)
- Nammo Lapua, (Vihtavuori, Finland)
- Nammo MTH (Hérémece, Switzerland)
- Nammo Palencia (Palencia, Spain)

Nammo Talley

Four product lines covering 66 mm and 83 mm shoulder-launched munition systems, composite solutions and energetic materials systems.

- Nammo Composite Solutions (Salt Lake City, Utah, USA)
- Nammo Talley (Mesa, Arizona, USA)
- Nammo Talley (Columbus, Mississippi, USA)
- Nammo Talley (Davidsville, Pennsylvania, USA)

Missile Products Division

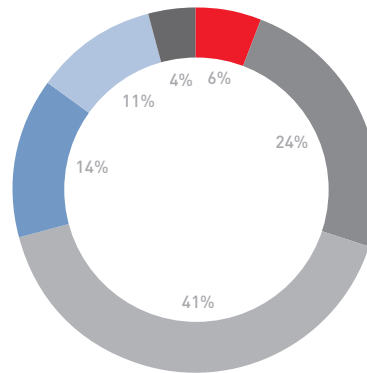
Development and production of advanced rocket motor segments in air-to-air, ground-to-air and space applications, including high-performance thrust vector control systems and advanced warheads.

- Nammo Raufoss (Raufoss, Norway)

Other locations

- Nammo HQ (Raufoss, Norway)
- Nammo Canada (Ottawa, Canada)
- Nammo Australia (Melbourne, Australia)
- Nammo Pocal (Scranton, Pennsylvania, USA)

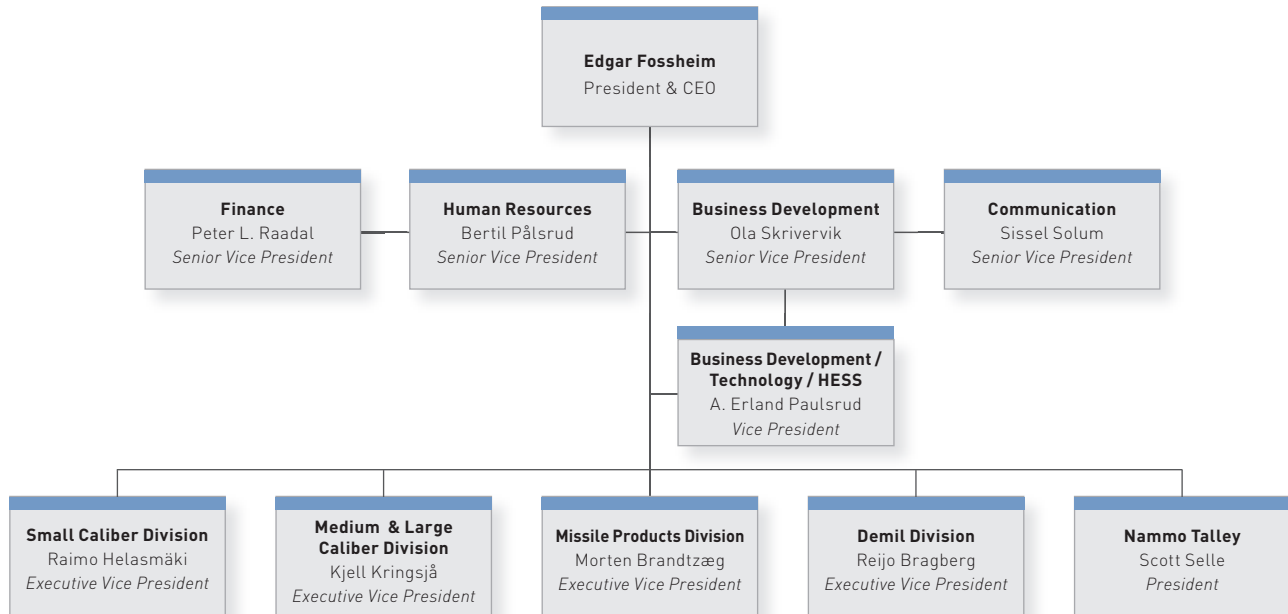
Employees per division



One voice One company One team

At Nammo we believe that people need to work together at all levels to make the company prosperous. This is the only way of reaching a world-class level as a group. A strong focus on a unified mentality binds our employees together and creates a sense of pride that nurtures our organization into a great workplace. One man can be a crucial ingredient on a team, but one man alone cannot make a team.

How we are organized



The Nammo Group has its head office in Raufoss, Norway, and subsidiaries in Australia, Canada, Finland, Germany, Norway, Spain, Sweden, Switzerland and USA.

Nammo operates through five business units, located in four separate countries, reflecting the Group's international scope. Three of these units have production facilities situated among several of the nine Nammo countries. The CEO is supported by his corporate staff, responsible for implementing and following up on directives and tasks, working closely with the leaders of the five business units.

Highlights

Business

- Crow Shooting Supply introduced as new distributor of Lapua centerfire and rimfire and SK rimfire products in the US
- Nammo fulfilled 133 different tests at the civil ammunition test range center in our Mesa/AZ-facility
- Successful year with sales to the US civil sports ammunition market
- 3-year contract with the Finnish Defense Forces for small caliber ammunition
- Important long term partnering agreement with the Finnish Defense Forces
- Important contract with Swedish Defense Forces on different configurations of 7.62 mm ammunition
- Raytheon selected Nammo to participate in their Excalibur Missile program
- Important orders of components from Nammo by Two Brothers Racing
- Delivery of AMRAAM missile rocket motor # 1 000 to Raytheon
- 5-year IDIQ contract of hand grenades to Crane, US
- Norwegian MoD approved funding of the integration of APEX on the F-35
- Important order from Switzerland on demilitarization of Improved Conventional Munitions (ICM)
- Strong order backlog for demilitarization in 2014
- Nammo Composite Solutions expanded their Utah operations with 23.000 square feet to a total of 90 000 square feet to support their growing manufacturing and assembly business
- New “state of the art” tracer production line in Nammo Vanäsverken
- Agreement signed with Bloodhound SSC to deliver hybrid rocket motors in support to their effort to build the fastest car in the world which can drive 1 000 mph (1609 km/h).



Acquisitions

- Acquisition of Nammo Pocal in Pennsylvania/US, specialized in development of mortar and training ammunition; approved by the US authorities in June 2013
- Acquisition of Nammo Palencia in Spain, specialized in NATO qualified standard small and medium caliber ammunition; approved by Spanish authorities in October 2013
- Acquisition of Nammo Vihtavuori Oy in Finland, specialized in production of propellant, approved by French authorities in December 2013

Organization

- Nammo participated in the establishment of the Norwegian/American Defense Industry/Homeland Security Council (NADIC). This is a Trade Association founded by member corporations to develop and promote the business and commercial interests of the industry within the United States to ensure a "Fair Competitive" environment in the US markets.
- Participated in the UN Global Compact Leader Summit 2013. Nammo will focus its work on empowering women; anti-corruption work; abolishing child labor and environmental friendly innovation.
- Nammo represented the Norwegian industry during the final negotiations of the UN Arms Trade Treaty concluded by the UN General Assembly 2 April 2013
- Significant downsizing at Nammo Talley and Nammo Vanäsverken as a result of the reduced order intake due to the US Government's slowdown
- Celebration of Lapua Site's 90-year anniversary with 80 guests from 17 countries
- Official visit from the Swedish Minister of Defense at Nammo Vanäsverken AB
- Milestone at Nammo Talley reaching 3 million working hours without injuries
- Training camp for all Nammo representatives on Nammo products and ethics
- Start-up of a two-year period of ethical dilemma training with focus on meeting and training of all managers through workshops

One step further

Every day Nammo earns its license to operate. Every year we take steps forward to improve our CSR performance. Nammo has a strong ambition to be a positive contributor to the development of the local society wherever we have our production facilities. Therefore we have different engagement in activities like sport, science centers and other culture activities with focus on children and youth.

We strive to be a workplace that all our employees are proud to be a part of. Nammo promotes sustainable development through business operations that emphasizes environmental, ethical and social considerations. Nammo is committed to ensuring that human and labor rights, environmental considerations and the anti-corruption act are respected in its business activities and by the Group's suppliers.

Integration

In 2013 we expanded our business through three acquisitions; Nammo Pocal Inc., Nammo Palencia S.L. and Nammo Vihtavuori Oy propellant plant. The work has started both with integration into the Nammo family and implementation of Nammo standards.

Priority

Health, environment, safety and security will always have the highest attention and priority in Nammo. Through education, training and annual audits we ensure that Nammo employees know the company's standards and annual goals for environmental issues.

Ethics

Last year Nammo implemented the revised Ethical Code of Conduct and started ethical dilemma training for key

personnel in the organization. Nammo shall be characterized by its high ethical standards. The new version of our Ethical Code of Conduct is committed to the UN Global Compacts 10 principles. During 2013 Nammo delivered its first company report to the UN Global Compact.

Diversity

Nammo is committed to ensuring diversity in the Group, and equal opportunities for all employees are key elements of the human resources policy. This applies in particular to recruitment, career development, equal pay for equal work and working conditions. Activities to motivate female university graduates and women with other educational backgrounds to join the company will continue to be an important endeavor in the future. Today women account for 26.5 percent of the employees. Our goal is to increase this percentage. We will therefore work on strengthening Nammo's profile in order to increase our attractiveness as a preferred career choice also for women.

Discrimination

We do not tolerate discrimination on the basis of gender, race, religion, national or ethnic origin, cultural background, social group, disability, family status, age or political views. However, the recruitment of personnel must be performed in accordance with the national security authorities in the respective countries.

“Corporate Social Responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.

The World Business Council for sustainable development (WBCSD)

Arms Trade Treaty

One of the UN initiatives from 2006 was to establish an Arms Trade Treaty, a legally binding instrument on the highest possible common international standards for the transfer of conventional arms. Nammo participated as an industrial observer representing the Norwegian Defense Industry in close cooperation with other European industry representatives. The industry, the non-governmental organizations and their national government officials worked closely together in order to finalize a treaty text realistic to be implemented within all the UN member countries until the Treaty was adopted by the General Assembly on 2 April 2013.

UN Global Compact

The insight given us by the participation in the UN Global Compact is valuable. We joined the UNGC leader summit, and have decided, within the program, to concentrate on four main areas; Empowering women, anti-corruption work, abolishing child labor and environmental friendly innovation. As previous years we report on Environment, People and Society at the standards of the Global Reporting Initiative (GRI).

GRI

2013 was the fifth year that Nammo reported according to be the Global Reporting Initiative (GRI) standard for sustainable reporting. Nammo is self-declaring, reporting at the B-level.



