



Namme

SECURING THE FUTURE

2014

ANNUAL PERFORMANCE

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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.

TRUST IN NAMMO

ENSURING NAMMO IS A CONSISTENTLY COMPLIANT AND ETHICAL ORGANIZATION REQUIRES SEVERAL KEY POINTS OF FOCUS, INCLUDING THE FOLLOWING STATEMENTS WHEN EXPORTING:

- All products developed and manufactured by Nammo shall comply with international laws and conventions
- Any export of a Nammo product requires an export license from the national authorities in the producing country
- Every production unit in Nammo shall be in compliance with the national export requirement of its country
- Nammo's ethical code of conduct applies to all employees and any third party acting on behalf of the company
- Nammo supports the UN Global Compact's 10 principles

A COMPETITIVE LANDSCAPE

SUCCESSFULLY OVERCOMING OBSTACLES IN A CHALLENGING MARKET

In entering 2014, we were well prepared for a more challenging market situation, especially within the small and medium caliber product segments. We have seen a continuous reduction in international military operations; leading to declining demands, combined with heavy cutbacks in defense budgets. In addition, the American market became even more exigent than first anticipated.

The revenue for the Nammo Group reached NOK 3 718 million, a slight increase of 0.5 percent compared to 2013. Net income before tax was NOK 277 million, giving a 7.5 percent ROS. I am pleased to report that we have continued to produce healthy earnings, despite the challenging outlook. We have a solid bottom line, enabling us to pursue our long-term strategic goals.

STRATEGIC GROWTH

We continue to grow. In June we opened a second state-of-the-art production line for rocket motors at Raufoss, Norway, thus expanding our manufacturing capacity of solid

fuel rocket motors and warheads. In October we passed an historical milestone when we successfully fired the first of a series of large hybrid rocket motors. With this test, Nammo also inaugurated its brand new test facility for green propulsion. This facility is unique in Europe, both in terms of its size and its capabilities. It will allow for accelerated development of environmentally friendly rockets, for atmospheric research and space applications.

In the ammunition area we have continued our efforts to develop new and more efficient products, especially in artillery and aircraft ammunition. We maintained a strong market position with our wide range of small and medium caliber products. During 2014, we continued to be a strong supplier of shoulder-launched munitions and substantial work has been carried out on new and very capable M-72 versions.

At the end of the year, Nammo acquired a Finnish ammunition facility in Sastamala, which is an excellent fit with our existing large

caliber ammunition activities.

Our Nordic home market is of great importance to us. The recent acquisition of a propellant plant in Vihtavuori, fits well with the partnership agreement we signed with the Finnish Ministry of Defense in early 2014. This very important agreement will further strengthen Nammo's position with Finnish Defense Forces as a supplier of ammunition and propellants for years to come.

MARKET ACHIEVEMENTS

To highlight a few achievements in the market, we have signed a contract with the Norwegian Armed Forces, where we will provide services and supplies for the integration of the next generation 25 mm APEX ammunition for the F-35 Lighting II. Another contract worth mentioning is our three year agreement with the UK Ministry of Defence, concerning the demilitarization of different ammunition types. Major medium caliber contracts were also secured and our newly acquired Palencia

facility signed a contract with the Spanish Ministry of Defense, for the delivery of 12,7 mm ammunition.

The acquisition of 3 new companies in 2013 and 2014, involved more than 350 employees from 3 different countries. The integration of these new companies, together with our company culture, ethical standards and values has been a prioritized area in 2014 – bearing fruitful results.

SYNERGIES

We have significantly improved synergies across divisions and geographical boundaries. Under the One Nammo initiative we have introduced several concrete activities. The newly established procurement forum has implemented a number of new standards to follow, significantly improving the purchasing routines.

Nammo continually promotes sustainable development through business operations, characterized by our high ethical standards. A revised edition of the ethical code of conduct has been distributed and



Our ambition is to always improve and be transparent throughout our entire value chain.

EDGAR FOSSHEIM

signed by all employees. In addition, the ethical training program was completed in early 2015. Corporate social responsibility is continuously measured and reported upon through the 10 principles of the UN Global Compact, as well as the Global Reporting Initiative. Our ambition is to always improve and be transparent throughout our entire value chain.

OUTLOOK

Nammo is in a strong position for the future and will continue to grow. We have a solid order backlog and excellent, dedicated employees. The market outlook in the short term is

still challenging, but will improve as defense budgets are expected to grow in the coming years.

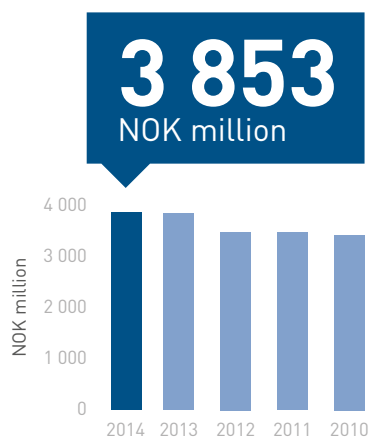
I am proud of all our employees. People have been and always will be our most valued asset. I would like to take this opportunity to thank them all, as well as our customers, partners and suppliers for making 2014 a successful year for Nammo.

Edgar Fossheim

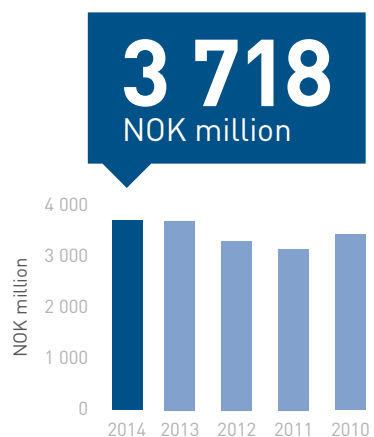
PRESIDENT & CEO

KEY FIGURES

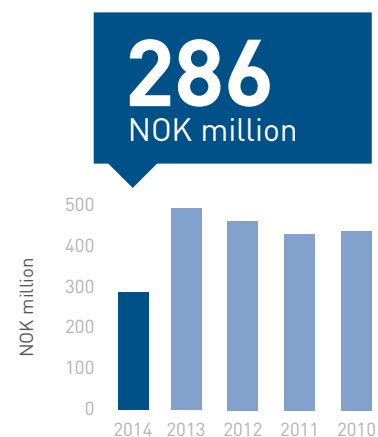
(NOK MILLION)	2014	2013	2012	2011	2010
Order Stock	3 853	3 823	3 464	3 460	3 410
Sales	3 718	3 703	3 311	3 165	3 448
Earnings before interest and tax (EBIT)	286	489	459	427	435
Total Assets	4 011	3 666	3 509	2 988	2 906
Total Equity	2 069	1 835	1 603	1 480	1 305
Average Man Years	2 160	1 954	1 922	1 876	1 940
Return on Sales (ROS)	7.5%	13%	14%	13.7%	12.6%



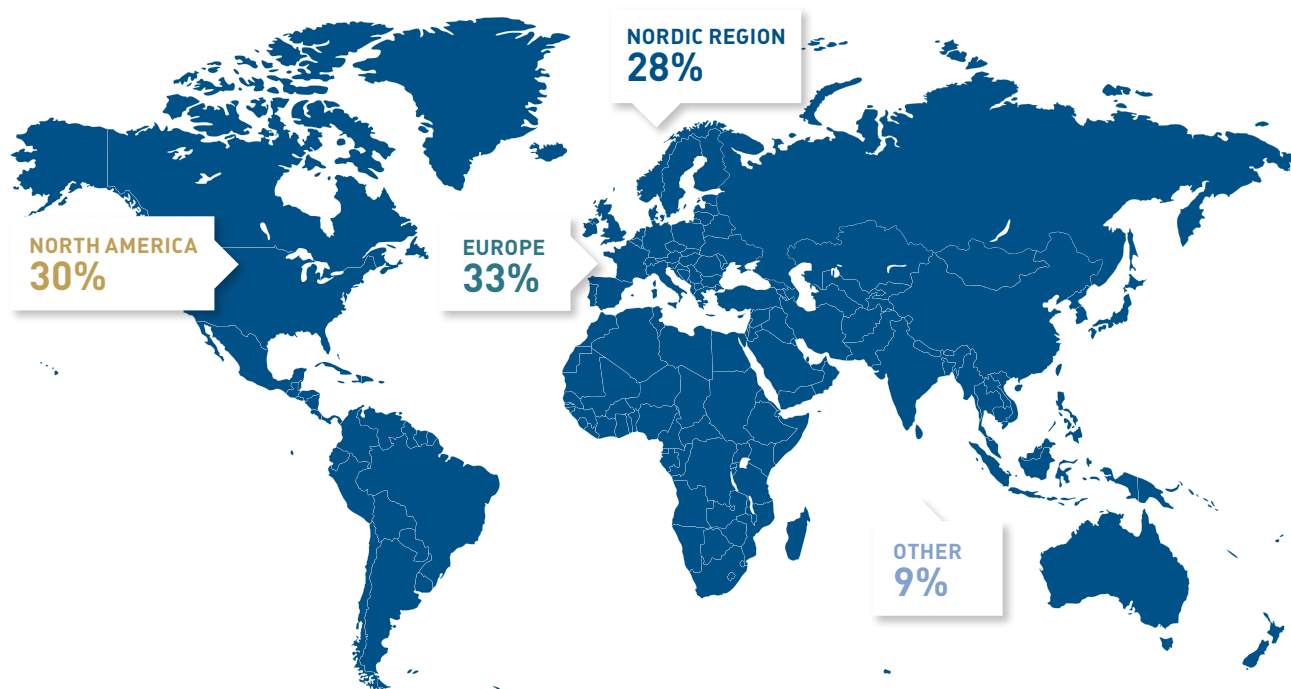
ORDER STOCK



SALES

EARNINGS BEFORE INTEREST
AND TAX (EBIT)

SALES PER REGION



Our customers include:

- National and international armed forces (army, air force, navy and special forces), and homeland security
- Other defense industry
- Distributors of civil ammunition for sport and hunting, and sea safety systems

A SHARED VISION

HIGHLIGHTS FROM 2014

ORGANIZATION

- Revised ethical code of conduct distributed to all employees
- All management groups completed training in ethical dilemmas
- Fulfilled a corporate integrity profile program evaluating corruption risks
- New site managers in Nammo Lapua/Schönebeck, Nammo Pocal, Nammo Vihtavuori Propellant Plant and Nammo Tactical, Mesa
- Demanding market situation required an organizational adjustment
- Acquisition of production facility in Sastamala, Finland
- Increased focus on LEAN Lab and quality training in several production lines
- Groundwater remediation project; water cleaning solution installed to assure clean water in the area around the facility in Mesa, Arizona

New rocket motor mixer at Nammo Raufoss, increasing capacity significantly

- Establishment of Shared Service Center in Sweden
- Revised and upgraded the Nammo website
- Apprentice in mechanical department became Norwegian champion in CNC Machining and will compete at the World Championship in Brazil
- U.S. Senate Armed Services Chairman, John S. McCain visited Nammo Talley

Renewal of sponsorship agreements for the national women's ski jumping and biathlon teams in Norway

Global media attention on Nammo's participation in the BLOODHOUND SSC project



BUSINESS

- Successful event in Madrid marking Nammo's acquisition of Palencia
- MoU with FAMAE for cooperation on small caliber ammunition
- MoDs in Australia and Norway sign 50/50 cost sharing agreement to fund the integration of APEX ammunition with the F-35A Lightning II
- New USMC 4-year indefinite delivery/indefinite quantity (IDIQ) contract for M72 shoulder-launched munition
- Nammo Composite Solutions qualified and fielded new stored energy composite flywheels
- Nordis Oy now represents three new brands: Blazer rifles, Mauser rifles and Nikon sport optics
- Cancellation of 40 mm AGL ammunition by the Norwegian Armed Forces and Countermine System by U.S. Navy, both due to budget cuts
- Largest combined awards ever for F-18 and F-16 canopy jet rocket motors



Successful test of first large hybrid rocket motor

All gold medals for 300 m shooting at the ISSF World Championship were won with LAPUA ammunition

Important demil contracts from NSPA and the UK MoD

Qualification contract from Norwegian Armed Forces for integration of 25 mm APEX ammunition on F-35A

Launch of new SK brand logo

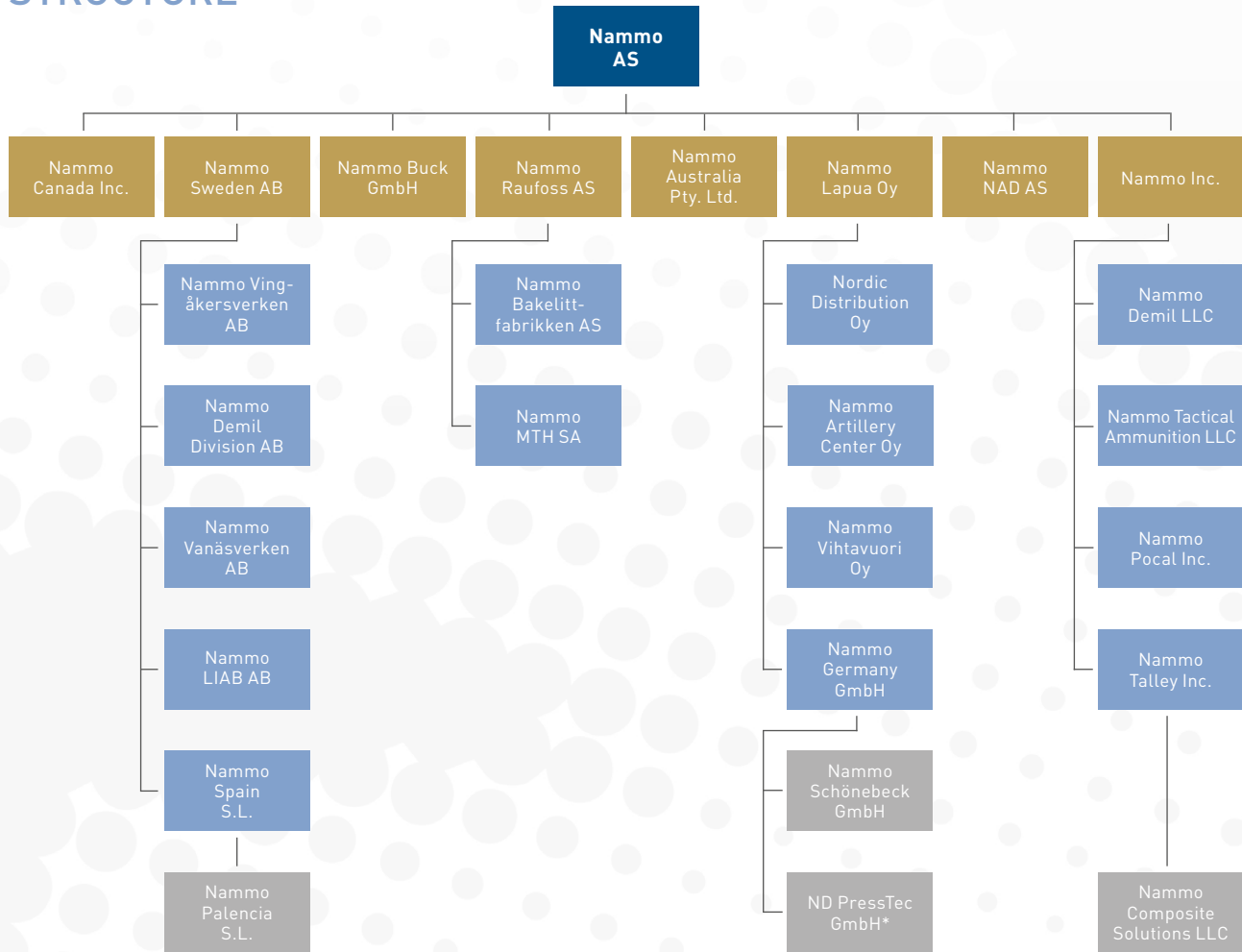


Several significant ammunition orders on 30 mm x 173 mm projectiles and an upgrade contract on 40 mm L70

Sea safety products re-tested and approved according to SOLAS regulations



COMPANY ORGANIZATIONAL STRUCTURE



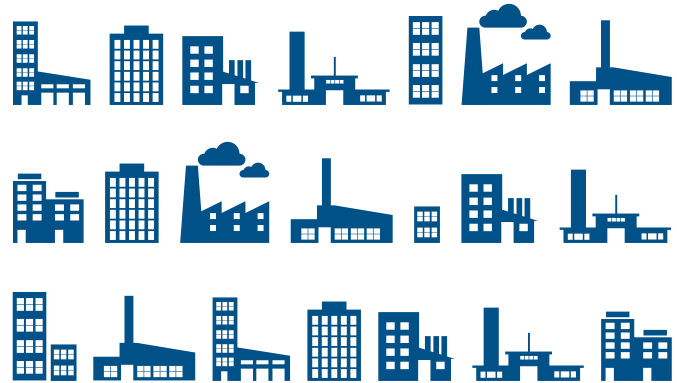
*65 percent owned by Nammo

THE CORE OF OUR BUSINESS

DRIVEN BY DEDICATION

Headquartered in Raufoss, Norway, Nammo is a technology-driven aerospace and defense group specializing in high-performance defense and space solutions. At the heart of our business is the trust placed on our products and services; the care we put into our work and our active reach towards a sustainable future. It is these values that support our successful, long-term collaborations and enable us to be the ideal partner.

Rigorous checks being carried out during the demilitarization process

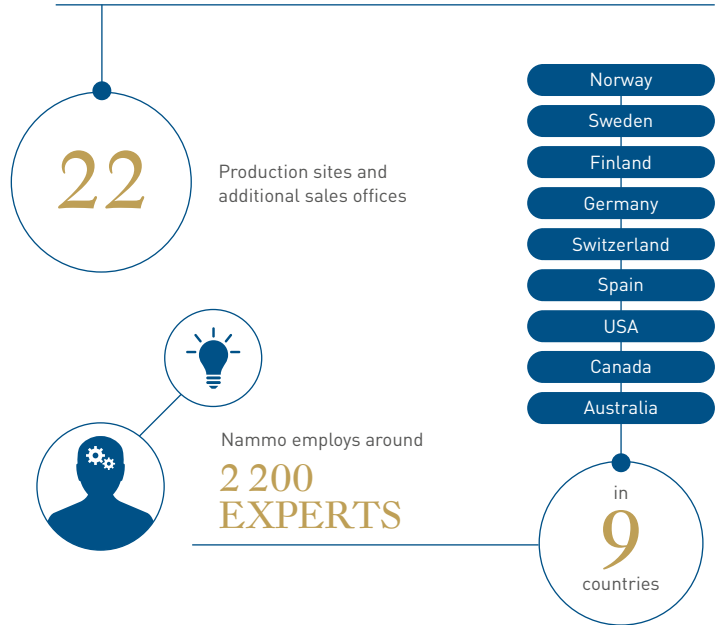


A HISTORY OF INNOVATION

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

Today 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 Oyj (50 percent).

The majority of Nammo's business comes from national armed forces and national defense and aerospace 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.



SUPPORT YOU CAN TRUST

WE OFFER SUPPORT TO OUR CUSTOMERS, OUR ATHLETES AND PEOPLE AROUND THE WORLD THROUGH THE PRODUCTS AND SERVICES WE SUPPLY. WITH OUR DIFFERENT DIVISIONS WE CAN BE TRUSTED TO SUPPLY INNOVATIVE IDEAS TO HELP OUR PARTNERS ACHIEVE THEIR GOALS.

AMMUNITION

Our extensive product range includes combat and premium projectiles, cartridge technology and commercial brands. The small and medium caliber ammunition we provide covers a broad range of combat and training ammunition for army, navy and air force applications. Our large caliber ammunition supports tank, artillery and mortar rounds. Nammo's civilian ammunition covers Rimfire ammunition for sport shooting, and Centerfire ammunition for sports and hunting, reloading components and special purpose ammunition.

SHOULDER-LAUNCHED MUNITIONS

Our shoulder-launched munition systems have a real and decisive impact on the battlefield. Forces rely on these weapons to protect lives while defeating the enemy. Nammo can be trusted to offer a comprehensive compilation of shoulder-launched munitions to meet the increasing complexity of the modern battlefield.

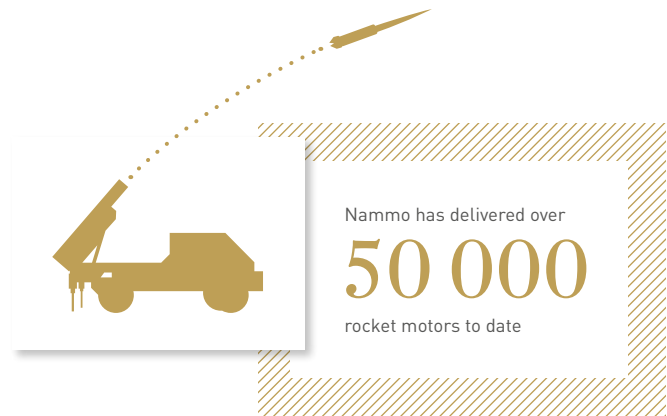
ROCKET MOTORS

We design, test and produce a number of advanced rocket motors for missiles and space applications, as well as rocket motors and catapults for ejection seats. Our rocket motor production is helping to secure the future of projects from space exploration to pilot safety.



25 MM APEX

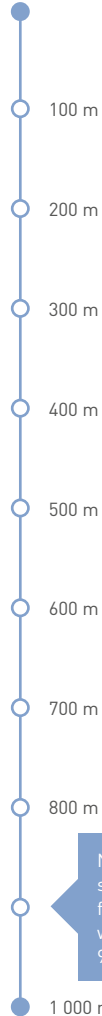
is being prepared for integration on F-35A



Nammo has delivered over

50 000

rocket motors to date



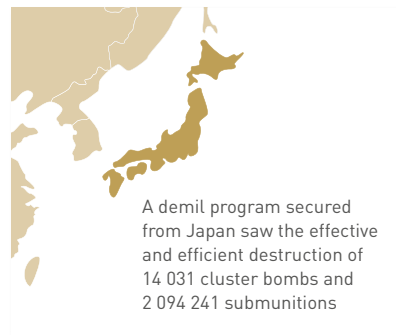
Nammo NAD is specifically designed for demil activities, with chambers 900 m underground

CARE IN EVERYTHING WE DO

EVERYTHING WE DO AT NAMMO IS ROOTED IN SUSTAINABLE, RESOURCEFUL PRACTICE. FROM THE PRODUCTS WE MANUFACTURE TO THE SERVICES WE PROVIDE, ENSURING A SUCCESSFUL FUTURE IS AT THE HEART OF IT.

DEMILITARIZATION

Nammo is helping to ensure that governments around the world are destroying existing stockpiles of weaponry, in accordance with strict conventions. Our philosophy in processing the ammunition is to remove the explosive content and where possible recycle materials, including the energetics, and use them for other purposes in the civilian market. This is known as the R3 Philosophy and stands for Resources, Recovery and Recycling.



TESTING AND SERVICES

At our headquarters in Raufoss, Norway we offer various production and testing services for both the commercial market and the defense industry. We also have leading capabilities in testing at several different locations and within different product ranges. Our expertise, knowledge and facilities make us a trusted partner for all services within production and testing.



130
SHOOTERS

had their ammunition tested at the Lapua Mesa Rimfire Test Center in 2014

WORKING TOGETHER FOR A SAFER WORLD

NAMMO WORKS IN PARTNERSHIP WITH OTHER MANUFACTURERS AND ORGANIZATIONS TO ENSURE THAT EVERY PRODUCT AND SERVICE WILL EXCEED THE EXPECTATIONS OF ALL CUSTOMERS.

CIVILIAN PRODUCTS

Civilian products amount to 15 percent of Nammo's annual turnover. Customers range from international space agencies, oil and the energy industry, to distributors of commercial products.

We partner with our customers to provide them with the best products and services for their needs. Ranging from ammunition to composite solutions, propellant powder to space rockets, our history in the civilian market has been successful and committed.



**93% OF
BIATHLETES**

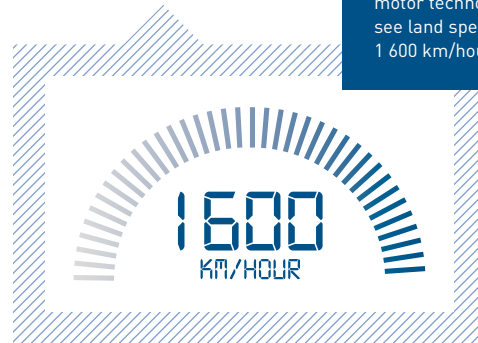
at the Sochi Winter Olympics used our Lapua Polar Biathlon ammo

INNOVATION AND TECHNOLOGY

All the products designed, developed and manufactured by Nammo are based on advanced technology, high performance and precision. Nammo has been a pioneer of advanced technology for decades. Our research department continually develops and qualifies new technologies for military and commercial aerodynamics and ballistic devices.



The BLOODHOUND SSC project which uses Nammo's hybrid rocket motor technology will see land speeds up to 1 600 km/hour



INSIDE NAMMO

The organization operates through five business units: Small Caliber, Medium and Large Caliber, Missile Products, Demil and Nammo Talley.



EDGAR FOSSHEIM
President and CEO



Finance and CFO
PETER L. RAADAL
Senior Vice President



Human Resources
BERTIL PÅLSRUD
Senior Vice President



Business Development
OLA SKRIVERVIK
Senior Vice President



Communication
SISSEL SOLUM
Senior Vice President



Business Development/Technology/HES
A. ERLAND PAULSRUD
Vice President



Small Caliber Division
RAIMO HELASMÄKI
Executive Vice President



Medium and Large
Caliber Division
KJELL KRINGSJÅ
Executive Vice President



Missile Products Division
MORTEN BRANDTZÆG
Executive Vice President



Demil Division
REIJO BRAGBERG
Executive Vice President



Nammo Talley
SCOTT SELLE
President

For changes after 1 April 2015, please visit www.nammo.com

COMPLIANCE AND ETHICS

AN INTEGRAL PART OF CORPORATE SOCIAL RESPONSIBILITY

NAMMO'S COMPLIANCE PROGRAM ENSURES THAT WE MEET THE STANDARDS SET BY INDIVIDUAL GOVERNMENT REGULATIONS AS WELL AS REQUIREMENTS SET BY INDUSTRIAL CUSTOMERS.

ETHICS

To earn our license to operate, we work systematically to promote sustainable development through business operations that emphasize environmental, ethical and social considerations. We are committed to ensuring that human and labor rights, environmental considerations and anti-corruption acts are followed and respected in our business activities and by our suppliers. Our goal is to be appreciated for our high ethical standards. We completed a second revision of our ethical code of conduct in 2014, and distributed it to our employees. An ethical-dilemma training program was completed in February 2015.



REPORTING

The Norwegian government requires that the Global Reporting Initiative (GRI) standard is met by its partly owned companies. Since 2008, GRI has been our standard for sustainable reporting. We are self-declaring, reporting at B-level. We will transfer to G4 in 2015.

Nammo has supported the UN Global Compact's (UNGC) 10 principles for many years, and joined UNGC in 2012. Our strategic CSR work is in line with the 10 principles and has a special focus on 3 elements: empowering women, working against corruption, and abolishing child labor.

ONE STEP FURTHER

PEOPLE

Through acquisitions over the last 2 years, more than 350 employees from 3 different countries have become members of the Nammo Group.

During 2014, we prioritized the integration of three new sites within our company culture, ethical standards and values.

Our personnel policy is to ensure equal opportunities and rights, and to prevent discrimination on the grounds of gender, ethnicity, national origin, skin color, language, religion, philosophy of life, and age. This particularly applies to recruitment, career development, equal pay for equal work and working conditions.

Women account for 25.8 percent of our employees. However, the number of women in leadership positions is too low. Therefore, 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.

In its strategic plan 2014-2016 Nammo emphasizes the importance of increasing female presence at all levels in the organization. In 2014, we established a women's forum at Nammo Raufoss that will focus on promoting the increased participation and influence of women.

The women's forum will cooperate with senior management, HR and trade unions when it comes to access to and allocation of company resources and employee responsibility. Nammo Raufoss believes that the initiative shows our determination to promote competence and ensure good management of our premier resource, namely our employees.

ENVIRONMENT

All main Nammo sites are certified in accordance with ISO 14001, or similar environmental standards.

We have a direct impact on the environment through our production and testing of ordnance products and services, consumption of paper and energy, waste management, procurement and use of transport.

The environmental conditions for personnel exposed to hazardous materials are registered and followed up with preventive medical examinations.

Nammo operates in the explosives industry and handles energetic materials. We continuously focus on preventive work in all areas, and ensure close attention is paid to create a safe environment for all of our employees. Conditions that relate to health, environment, safety and security have top priority. All accidents or near-accidents involving employees are reported and preventive actions are taken.

Sickness absence among Nammo's employees was at an average of 4.5 percent for 2014. Various activities such as workplace improvements, measures to secure a good and healthy work environment, protective equipment and physical training have been attended to by the management. In 2014, there were 26 accidents resulting in employees being absent from work. There were no accidents involving explosives in 2014 that caused injury to personnel.

Health, environment, safety and security audits are conducted annually at all sites. This is a procedure performed by the HESS Manager in the group. Every year, there are selected focus areas on audits, and in 2014 all sites were compliant. Newly acquired companies have been highly prioritized in connection with audits to make sure that the HESS level meets Nammo's high standard.

Responsibility is the price of greatness.

WINSTON CHURCHILL

SOCIETY

We have strong ambitions to be a positive contributor to the development of local societies near our production facilities. We therefore engage in sport, science and culture, with a focus on children and young people.

In 2014, we renewed both sponsorship agreements with the national women's biathlon team and national women's ski jumping team in Norway for two more years, including an option for an extra two years on top. In addition to these sponsorship programs in Norway, we also have a sponsorship plan with the national biathlon federation in Finland.

Nammo has contributed to the development of ski jumping through increased technological expertise and support in aerodynamics. Our ambition with the biathlon sponsorship is to promote the Nammo brand and the civilian ammunition brand, Lapua. For both sponsorships, the group aims to build a strong company culture and empower women in the company.

During 2014 we established a sponsorship procedure that will define general rules on how to handle requests for sponsorships, in order to avoid any discrimination or disqualification during the selection.

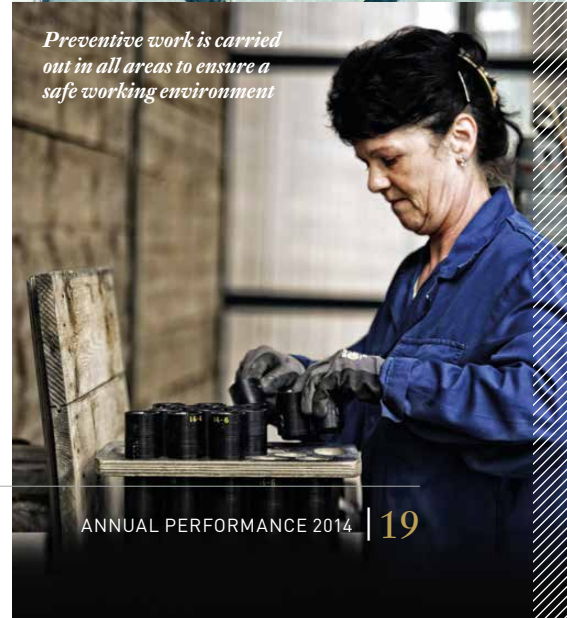
One step further



Photo: Fotograf Katrine, Lillehammer



Preventive work is carried out in all areas to ensure a safe working environment





Project management and design: Markki AS and Harleys Global Ltd

www.nammo.com