



2017

PERFORMANCE
AND PROGRESS

Namme

SECURING THE FUTURE

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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



Top right cover image © ESA

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.

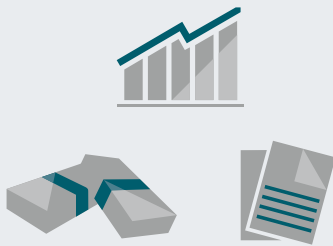
TRUST IN NAMMO

Ensuring Nammo is a consistently compliant and ethical organization requires continuous focus on several key areas. This includes the following:

- 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 Ten Principles



“TURNING 20 IN '18 – AND STRONGER THAN EVER



Growth, investment and consolidation – three key words that sum up Nammo in 2017.

Only 1 year after exceeding annual revenue of NOK 4 billion, we are already seeing NOK 5 billion in our not too distant future, demonstrating that in our 20th year, we are ready to face another 20.

A lot has happened in 20 years. We have quadrupled our annual revenue, and we have more than doubled our number of employees. When we were founded, we had

facilities in four countries. Now we are in 14, with manufacturing in 9 of them. We are internationally recognized as one of the true leaders in our fields, particularly in specialty ammunition and tactical rocket motors. And we have established ourselves as a trusted provider to some of the most demanding and advanced customers in the world.

A TRULY RELIABLE ADVANTAGE

Our growth in 2017 comes on the back of years of investment and hard work. We continue to be a provider of niche technologies that offer a truly reliable advantage to our customers. We have established ourselves as the leading provider of range extension technologies for artillery, while also providing some of the most accurate ammunition available anywhere. Our rocket motors continue to be vital for the countries of the NATO alliance and their partners, equipping aircraft and naval vessels

alike and ensuring that they are ready for action if ever called upon.

In 2017, we continued to see our defense customers requesting new and innovative forms of industry support – and Nammo has answered their call. We have continued to develop our close partnership with the Finnish government to help strengthen their security of supply, and we are in close discussions with other national governments on similar arrangements. We also signed a 30-year Public Private Partnership agreement with the US Navy for rocket motor and warhead production operations at Indian Head in Maryland – the first agreement of its kind for the Navy. As we recently announced, we will now be following up that agreement with our largest ever infrastructure investment outside the Nordic countries, thereby doing our part to strengthen the US defense industrial base.

LONG-TERM SUSTAINABILITY

As we grow, we will never abandon the qualities that got us to where we are today. We have a flat, non-bureaucratic business structure, a culture driven by personal responsibility and initiative, and a stubborn commitment to always deliver on our promises. To help us do so, we have strengthened our corporate management, with a particular focus on compliance, sustainability and corporate social responsibility. To deliver the world's best products, we also need the world's best processes. We've strengthened our processes during the year, with a continued focus on Nammo's Lean Six Sigma improvement programs.

We also have to recognize that not everything went smoothly in 2017. Our profitability isn't quite where we would like it to be, and in times of rapid growth, there is a risk of our cost base growing faster than our revenue. Our long-term sustainability depends on us managing our expansion with the same precision, dedication and care that we invest into everything else we do.

ROCKETING FORWARD

In recognition of these challenges, 2018 will see a continued focus on profitable growth to ensure that

we get the necessary return on previous investments.

In 2017, we decided to bring forward several investments in our commercial ammunition business in the United States, including moving our newly acquired site in California to our existing location in Arizona. Combined with our investment in a new ammunition distribution center in Missouri, this ensures that our commercial products are well positioned for the future in the United States.

We will also see several other long-term investments moving into another phase in 2018, with both our new long-range artillery shells and our new ammunition for the F-35 preparing to enter into full production. Securing the first production contracts for these products will be a major focus over the next couple of years.

Finally, we are also excited by our continued expansion into space propulsion. Thanks to more than a decade of research and development, Nammo is now in a position to offer a unique family of environmentally friendly rocket engines for everything from sounding rockets to small launch vehicles for satellites, and for satellites both orbiting the Earth and on deep space missions.

Strengthened by our 2017 acquisition of three small space propulsion companies, we are looking forward to seeing our new engines make their first leaps into space during 2018.

All of these are areas where we need to work hard to ensure not only growth, but profitable growth. We will do so by continuing to focus on what we do best, while developing our relationship with our core customers – and by continuing to build our company, our culture and our team. ”



Morten Brandtzæg

PRESIDENT & CEO



HIGHLIGHTS FROM 2017



From moving a production line 379 miles, to significantly expanding into space propulsion, 2017 was another busy year full of highlights.

Overall sales continued to rise, and we saw substantial growth in North America.

Organizationally, a number of changes strengthened the business. In the United States, we established Capstone Precision Group, which will act as the central distribution hub for retailers of Nammo's commercial ammunition brands. As part of this process, we moved the newly acquired Berger production line 379 miles, from California to Arizona.

In addition, we followed up on our commitment to invest in the infrastructure of Nammo Energetics Indian Head (NEIH) in Maryland. NEIH was established in partnership with the US Navy's Naval Surface Warfare Center at Indian Head, and the investment will help strengthen the foundation of this partnership.

We also took another giant leap into space propulsion in June

through the acquisition of the UK and Ireland businesses of Moog Inc. As a result, there is now a rocket motor produced by a Nammo company in orbit around Jupiter.

In July, Nammo Bakelittfabrikken officially became part of Nammo Raufoss AS, placing two companies with rich legacies under single management.

There have also been some important updates to the Nammo corporate team, including the appointment of a Director of Lean Six Sigma. This new appointment will focus on the training of key personnel and help to improve internal processes.

Throughout 2017, Nammo continued to develop its product portfolio, with the aim of helping militaries get more from what they have. For instance, our programmable 40 mm airburst round underwent extensive testing and development to ensure it offers

the best possible capabilities. The program is planned to continue in 2018.

Nammo also continues to be a key player in extending the range and role of traditional tube artillery – allowing the same gun to fulfill multiple functions – while after a decade of development in Norway, our hybrid rocket motors are ready for the next step.

Last but by no means least, 2017 saw a number of significant contract wins, including an indefinite delivery/indefinite quantity contract for 30 mm ammunition with the US Army and Navy.

As we reflect on last year's highlights, we also look forward to those that are still to come. Key focus areas for Nammo in 2018 will be further consolidation and integration of sites, as well as organic growth – and we're confident that we will continue to build on our achievements.

KEY FIGURES

(NOK MILLION)	2017	2016	2015	2014	2013	2012
Order Stock	4 645	4 767	5 130	3 853	3 832	3 464
Revenue	4 462	4 132	3 783	3 718	3 703	3 311
Earnings Before Interest and Tax (EBIT)	367	384	284	286	489	459
Total Assets	5 650	5 050	4 641	4 011	3 666	3 509
Total Equity	2 495	2 383	2 329	2 069	1 835	1 603
Average Man Years	2 217	2 102	2 088	2 160	1 954	1 922
Return on Sales (ROS)	7.6%	9.3%	7.2%	7.5%	13.0%	14.0%

SALES PER REGION

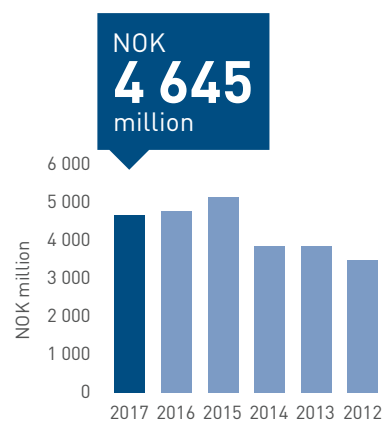


NORDIC COUNTRIES
18%

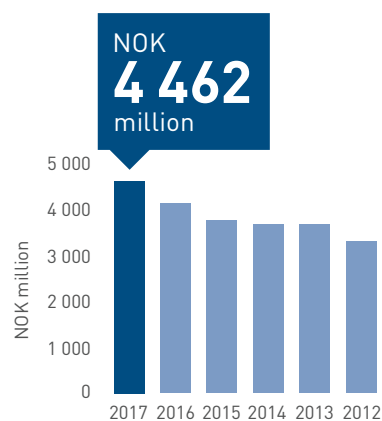
REST OF EUROPE
29%

NORTH AMERICA
41%

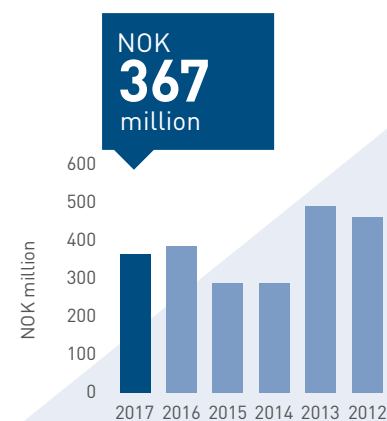
OTHER
12%



ORDER STOCK



REVENUE



EARNINGS BEFORE INTEREST AND TAX (EBIT)

COMPLIANCE AND ETHICS IN FOCUS

2017 has been an eventful year with strong growth, the acquisition of four new companies, a unique agreement with the US government and a stronger position in our core markets.

Corporate social responsibility is part of our everyday operations, and is essential for our success as a company. We embrace our values, and let them drive our performance within corporate social responsibility. We promote sustainable development through business operations that strongly emphasize our environmental, ethical and social considerations.

Nammo's number one social responsibility is reflected in the company's core business: to develop and manufacture high-quality defense products that support and protect our national and allied armed forces.

MORTEN BRANDTZÆG

We are committed to ensuring that human and labor rights are followed in all our entities and areas where we operate.

Nammo follows the Global Reporting Initiative (GRI) Standard: Core option, for sustainable reporting.

ETHICS

We have a zero-tolerance policy for corruption and bribery. Consequently, Nammo has maintained its strong focus on training employees within ethics and anti-corruption throughout 2017. All our employees and any third parties acting on our behalf must comply with our ethical code of conduct, and follow our reporting guidelines, which include options for whistleblowing.

At Nammo, we believe that the best way to ensure that our employees understand and "live" the Group's high level of ethical standards is through continuous communication and training. In 2017, we have conducted

courses in both dilemma and red flag training through presentations and workshops at several legal entities and management groups.

The companies acquired in 2017 have all completed our 100-day introduction program, which includes an introduction to the Nammo culture and our ethical code of conduct, including training with interactive workshops. These activities are part of our general risk reduction when acquiring new companies.

Our Proactive Fraud and Anti-Corruption training program started in 2015 and has continued in 2017. This comprises tailor-made training for management and key personnel at a legal entity, with the objective to reinforce the importance of raising awareness of the effects and costs of fraud and corruption. It also demonstrates how corporate HR and compliance can drive an active anti-fraud and anti-corruption culture across Nammo.

Nammo has not been subjected to any investigations, fines or sanctions in 2017 relating to ethical breach of laws and/or regulations.

COMPLIANCE

The defense and aerospace industry is highly regulated by the national authorities in the countries where it operates. In addition to national regulations, the industry must also comply with a wide range of requirements within quality, supply chain, security and military standards, as well as others introduced by industrial or governmental customers. For the company to be compliant with these requirements, all employees must follow the established routines, systems and standards.

The main purpose of the compliance function in Nammo is to assess risk across the business, develop training and internal communications strategies, evaluate data and conduct critical investigations in close cooperation with legal counsel when necessary. Other assignments include internal review of legal entities and risk monitoring, as well as working on influencing organizational culture and behavior and clearly communicating the vision, mission and strategy of the ethics and compliance program.

Compliance is of utmost importance to Nammo. All our entities must be in compliance with national laws and regulations if they are to be allowed to operate, and thereby fulfill their business purpose. Our focus on compliance is now increasing even further, as external requirements continue to grow. To successfully address this challenge, we continue to improve our skills by taking advantage of ongoing education opportunities, with Nammo compliance professionals attending training programs both in the US and in Europe.

Compliance also provides a competitive advantage; if we are not compliant, we risk our reputation and make ourselves vulnerable to severe economic consequences. As such, ensuring compliance in all areas is one of our highest priorities.

PEOPLE

Our people are our most important resource. Nammo has designed a personnel policy to ensure equal opportunities and rights and to prevent discrimination on the grounds of gender, ethnicity, national origin, language, religion, philosophy of life and/or age. This applies in particular to recruitment, career development, equal pay for equal work and working conditions.

Diversity

The share of women among our employees remains stable at around 25 percent, though it was slightly reduced by our recent acquisitions. Encouraging female university graduates and women with other relevant backgrounds to join Nammo continues to be important, and we strive to motivate women to apply for management positions. We are working actively through training and recruitment programs to address this challenge.

Health, safety and security

Nammo operates in the explosives industry and handles energetic materials. Conditions relating to health, environment, safety and security (HESS) must always have high priority for Nammo's employees, and these conditions are a fixed item on the agenda of all management meetings. The Group's policy is evaluated annually. All accidents or near-accidents involving employees are reported and preventive actions taken accordingly.

Seventeen HESS audits were conducted at the different sites in 2017. This is an annual procedure performed by the HESS Director in the Nammo Group. All sites individually set their own annual HESS targets and implement an improvement plan.

Newly acquired companies have been prioritized for regular audits to make sure that the HESS level conforms to Nammo's high standards. Every year, one specific focus area is selected for the HESS audits. In 2017, this was risk analysis connected with operational activities. In general, Nammo maintains a very high HESS standard, and with a few exceptions the findings in the audits were all minor.

Working environment

Sick leave among Nammo's employees averaged at 4.6 percent in 2017. This is an increase from 2016, and indicates a need for increased attention on the implementation of preventive actions. A higher variation of activities is also required, such as workplace improvements, as well as measures to secure a good and healthy working environment, protective equipment and physical training. This is now a focus area for management.

There were 36 lost time injuries (LTI) that resulted in employees being absent from work at Nammo in 2017. This included two LTI involving explosives. This is not an acceptable result and needs more attention to achieve improvements. The majority of LTI accidents are caused by slipping and falling, or small finger injuries with fewer than five days off work.

Reporting of incidents, accidents and dangerous conditions increased in 2017 and exceeded the target for the year. There has been a positive increase in reporting of dangerous conditions, near misses and accidents in 2017. The Group will continue its preventive work in all areas and will maintain a high focus on safe working conditions for all employees.

ICT security

We experience regular attempts to infect our computers with malicious software. The target of such attempts is either to enable adversaries to steal technical data or fraud, sabotage and extortion. Faced with such an increase in threats, we continuously strive to improve technical security, limit the attack surface and raise awareness levels among employees. This has been done by mandatory and continuous e-learning throughout the year for all employees having access to computers.

ENVIRONMENT

Nammo has a direct impact on the environment through its production and testing of ordnance products and services, consumption of paper and energy, waste management, procurement and use of transport. All main Nammo sites are certified in accordance with ISO 14001, or they are operated in compliance with similar environmental standards.

Preventive actions and environmental standards are on the agenda during every audit. The HESS directive requires all sites to update improvement plans and report any nonconformities. All European Nammo sites must comply with the REACH regulations. This means that they must all adhere to their requirements, and prepare to change any chemicals that are to be phased out. In parallel with this effort, we continuously search for more environmentally friendly solutions in our daily operations.

Risk analysis

Risk analyses on the environmental side are carried out at all sites, and analyses have not uncovered any high risk of severe environmental accidents within Nammo. The sites manage potential risk by preventive work. There is no major concern that climate change will affect our activities at the different locations.

We continuously work to standardize our risk management system, carrying out internal training in conjunction with emergency plans.

Emissions

We follow up and measure waste emissions to water and the atmosphere, reduce noise levels and handle other environmental factors in accordance with existing regulations and internal instructions.

We have some environmental challenges in following up historically polluted areas at two sites. This is considered to be under control, and is being followed up through internal plans for improvements and in close cooperation with national authorities.

Energy

Energy efficiency measures provide economic and environmental benefits. As such, reducing energy consumption and energy conservation measures are a high priority at all sites. By using alternative energy sources, Nammo has already made significant cost savings.

SOCIETY

Nammo has a strong ambition to be a positive contributor to the development of the local communities where the sites are located.

Our stakeholders

We initiate dialogue with our stakeholders, including the political community, political youth organizations, non-governmental organizations (NGOs), local community and defense administrations in the countries where we operate.

Nammo has always been open for dialogue with NGOs, and we welcome any NGO that wants to visit our company and learn more about the industry and the business.

We intend to contribute to the development of local communities in which we operate, such as science projects for young people, local charitable initiatives and various sporting activities. Our goal is to increase the Nammo Group's visibility, and to demonstrate our values and priorities through support of organizations that reflect these values.

One stakeholder that is of growing importance to Nammo is the international defense trade press. We believe that a vibrant and active trade press is essential to the continued health of our industry, and therefore spend considerable time and resources on maintaining good relations with them. We also wish to reward young talent looking to make a career in trade journalism, and consequently in 2017 sponsored an award for the best young aerospace journalist, which was awarded during a formal ceremony in Paris in June 2017. During 2018, we are planning to expand this activity further, by sponsoring two awards for young trade press journalists.

Our employees are excellent Nammo ambassadors in the local community and with other stakeholders, for instance when presenting the company to students at local and national universities and engineering schools.

During 2017, we initiated several projects aimed at strengthening the insight and understanding of our employees into the company's activities and policies, in order to enable them to do so more effectively.

Another important task is to increase the knowledge and understanding of Nammo and the defense industry in society more generally. Going forward, Nammo will increase its focus on developing and distributing content and materials that provide a wider audience with accessible and relevant insights into our company and the industry in general.

Local and national sponsorship

We have continued our sponsorship of the two national sports teams in Norway: one within the women's national biathlon team, and the other as main sponsor of the women's national ski jumping team, including a technology program with the Norwegian ski association. Our sponsorship commitments illustrate our desire to build a strong company culture and promote the internal focus on empowering women in the company.

INSIDE NAMMO

The organization operates through six business units: Commercial Ammunition, Small and Medium Caliber Ammunition, Large Caliber Ammunition, Shoulder Fired Systems, Aerospace Propulsion and Demil, Sea Safety and Services.



MORTEN BRANDTZÆG
President and CEO



Finance and CFO
STEIN ERIK OMMUNDSEN
Senior Vice President



Legal
ANNE HAUGEN-FLERMOE
Senior Vice President



Human Resources &
Business Integration
BERTIL PÅLSTRUD
Senior Vice President



Business Development
KJELL KRINGSJÅ
Senior Vice President



Compliance
SISSEL SOLUM
Senior Vice President



Communications
ENDRE LUNDE
Senior Vice President



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



Commercial
Ammunition
RAIMO HELASMÄKI
Executive Vice President



Small and Medium
Caliber Ammunition
REIJO BRAGBERG
Executive Vice President



Large Caliber
Ammunition
VEGARD SANDE
Executive Vice President



Shoulder
Fired Systems
CHAD PARKHILL¹
Executive Vice President



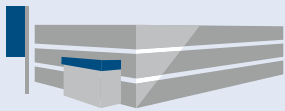
Aerospace
Propulsion
STEIN ERIK NODELAND²
Executive Vice President



Demil, Sea Safety
and Services
URBAN ÖHOLM
Executive Vice President

¹ President Nammo Talley Inc. | ² As of 15 January 2018

INNOVATIVE SOLUTIONS FOR A CHANGING WORLD



We are Nammo: an international aerospace and defense company headquartered in Norway, and for two decades one of the world's leading providers of specialty ammunition, rocket motors and demilitarization services for both military and civilian customers.

Nammo is owned by the Norwegian State, represented by the Norwegian Ministry of Trade, Industry and Fisheries, and the Finnish Defense and Aerospace Group, Patria Oyj, each with a 50 percent ownership – but with more than 2 300 dedicated employees working across 14 countries, Nammo is a truly international entity.

Our business is driven by precision engineering, dedication to protecting the environment, and the development of innovative solutions for an ever-changing world. That's why militaries, governments, athletes and consumers across the globe trust Nammo to provide them with the reliable advantage needed to face any situation.

A VITAL LINK IN THE SUPPLY CHAIN

We believe that those who devote their lives to protecting society deserve the right equipment for the job – and thanks to our history of cutting-edge research, world-class engineering and unbeatable technical knowledge, that's what we help deliver.

Our ammunition products cater to a wide range of requirements, from small caliber bullets to large caliber shells, while our ongoing research and development ensures

that our product range keeps pace with the ever-shifting challenges of the modern battlefield.

We understand that when operating in extreme conditions – be it in the air, on the ground or at sea – even the smallest hardware defect can have serious consequences. Our reputation for reliable, effective solutions makes us a trusted partner of the world's most advanced forces.



Nations rely on their armed forces for security – and their armed forces rely on Nammo.





Dedicated to demilitarization

Wherever possible, we reuse and recycle obsolete military materials. Not only does this help improve security, but it also helps us fulfill our stringent environmental obligations and deliver further savings to our customers.



Across the world, military budgets are under pressure, while the costs of new systems and platforms are growing. This means that militaries have to get more out of what they already have.

At Nammo, we're committed to keeping costs competitive and quality high, whether through technological innovation, or investing in more efficient manufacturing techniques.

One example is our development of ramjet-powered artillery rounds. Part of our Extreme Range concept, these artillery shells contain an internal rocket engine, which dramatically improves

the shell's range without having to make any alterations to the weapon itself – all at an extremely competitive price point.

By using a mixture of regular and Extreme Range shells, militaries can use the same gun to fulfill multiple roles. That's the sort of innovative thinking that makes Nammo the number one choice for militaries across the globe.

COMMERCIAL AMMUNITION

Whether you've got your sights on a prize elk or an Olympic gold medal, only the most accurate ammunition will suffice.

Nammo's unwavering commitment to precision makes us the ammunition supplier of choice for the world's most demanding athletes, while our constant drive for innovation means that our extensive product range continues to fulfill the requirements of modern athletes and shooting enthusiasts.

Our commercial ammunition is sold under several highly regarded sub-brands: Lapua, SK, Berger and Vihtavuori. While our customers know us by many names, all are synonymous with quality and precision.

As well as ammunition, we're also renowned for our range of reloading components and propellant powders. We understand that when it comes to the perfect shot, every component counts.



Nammo's commercial ammunition is favored by hunters, competitive marksmen and Olympic athletes alike. What they all share is a passion for precision.





We're experts in rocket propulsion. Space was just the next logical step.

AEROSPACE PROPULSION

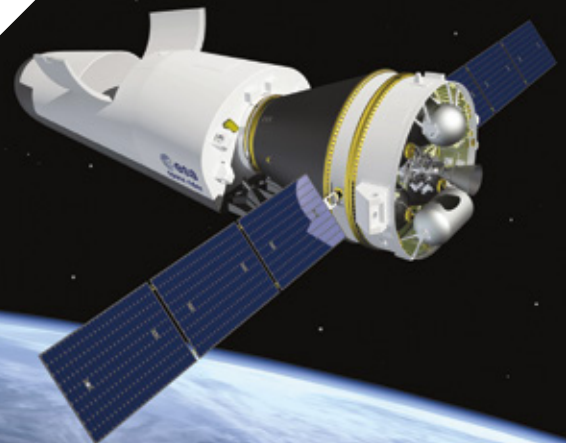
We cut our teeth developing powerful rocket motors for military applications – and now, we're applying our expertise in rocket propulsion to spaceflight. We like to think of it as getting more out of what we already have.

Our first small steps into commercial space applications began in the early 1980s. In the 1990s, we developed separation boosters for the European Ariane 5 rocket.

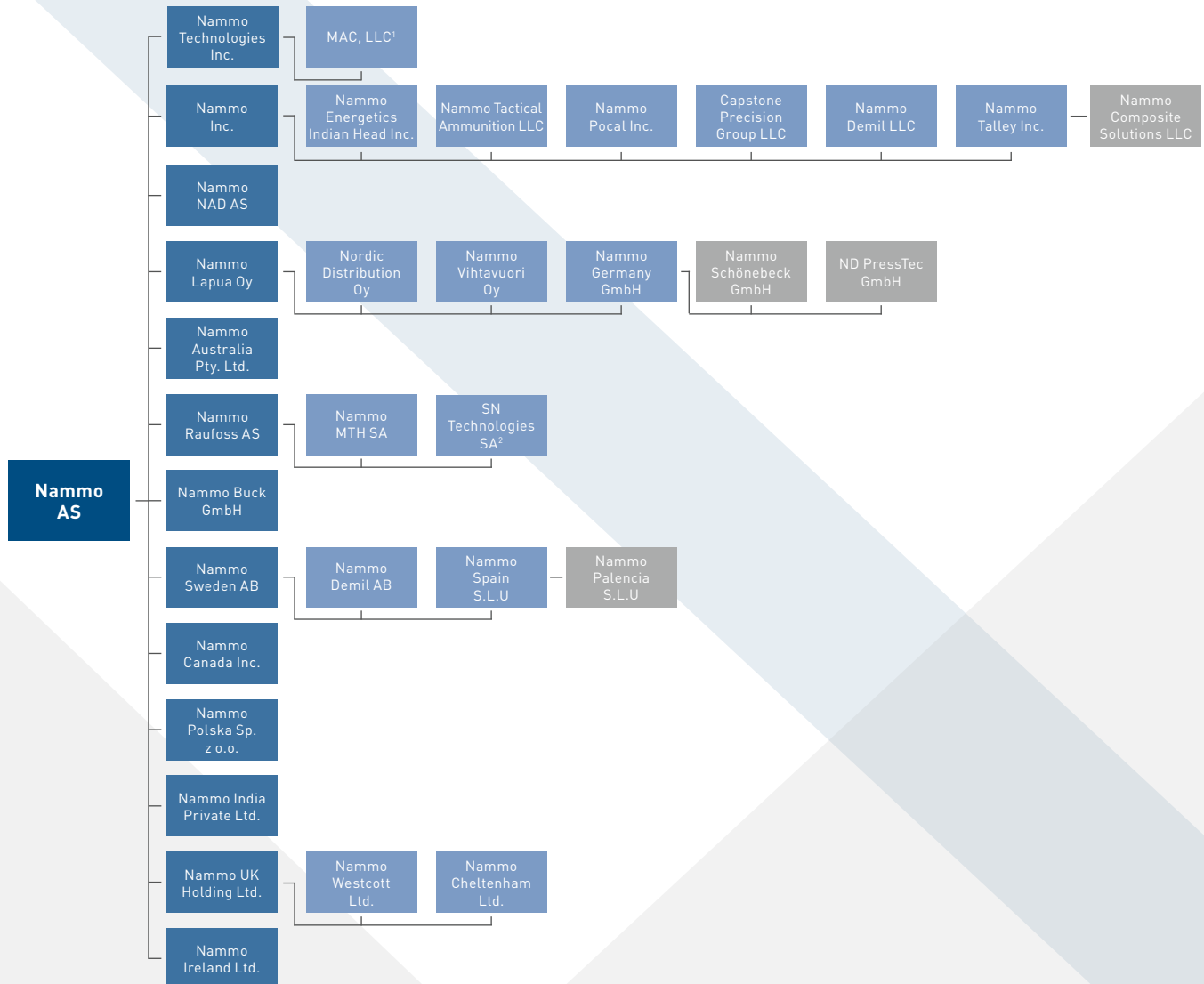
Since then, we've taken some giant leaps, from developing green rocket propulsion systems to plans for a future nanosatellite launch vehicle.

Aside from our long heritage of innovation, what sets Nammo apart is our commitment to eco-friendly rocket propulsion technology. Our hybrid rocket motors, for instance, use H_2O_2 to reduce harmful emissions and enhance safety – and now, after more than a decade of development, they're ready for the next step. Our goal is to care for our own planet as we support the exploration of others.

Space Rider © ESA

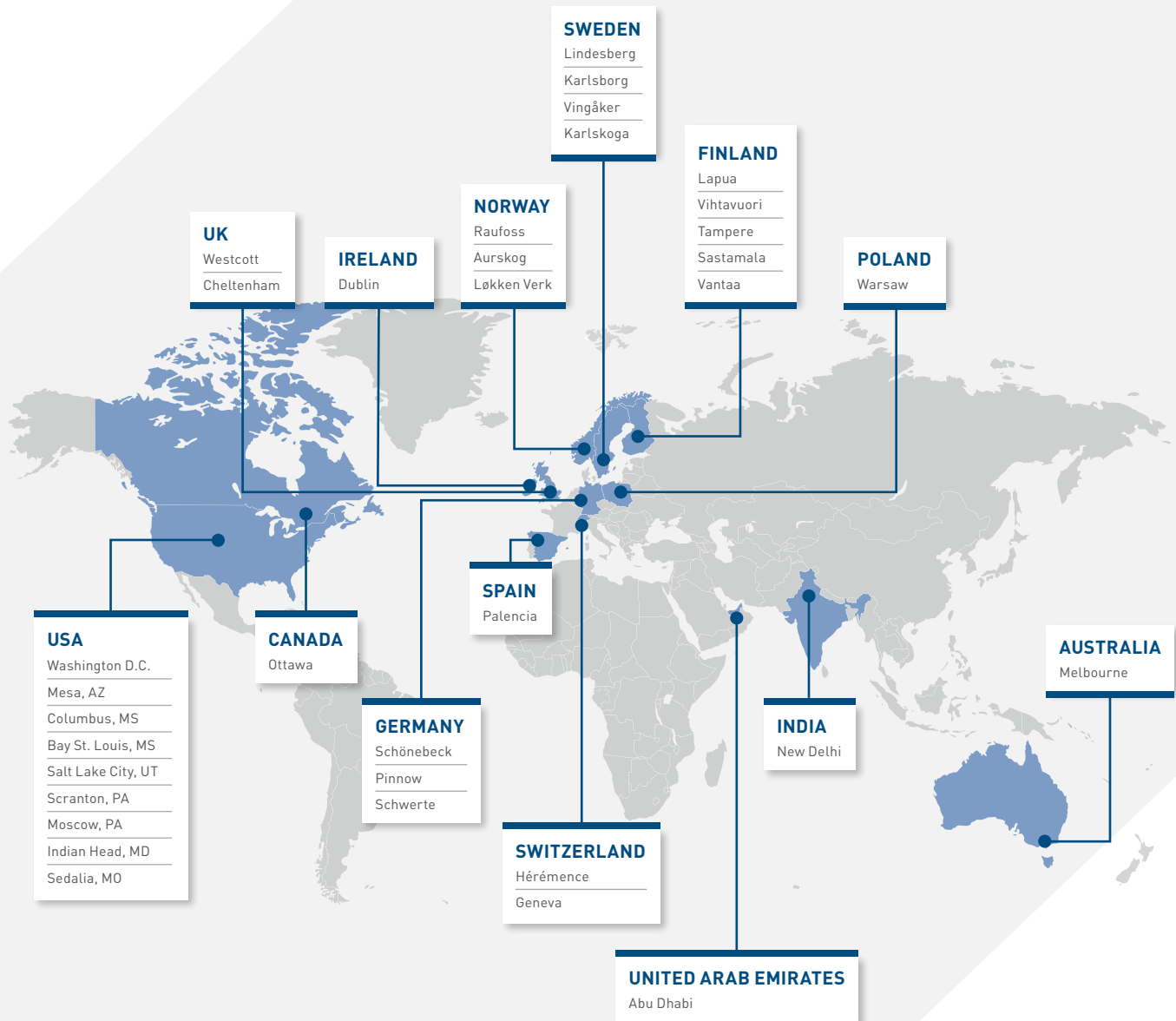


COMPANY ORGANIZATIONAL STRUCTURE

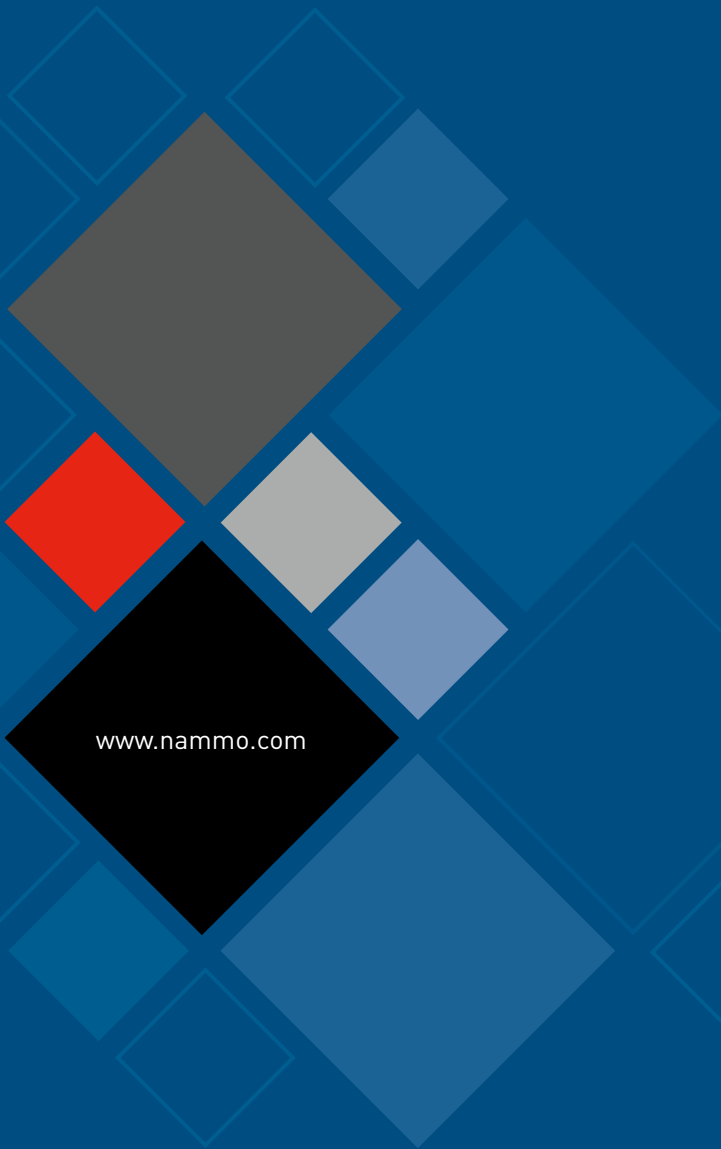


¹ 45 percent ownership | ² 50 percent ownership

As per February 2018



As per February 2018



www.nammo.com