

2021

Annual and Sustainability Report

NAMMO

Securing the Future



MESSAGE FROM THE CEO

SECURING THE FUTURE

With Covid-19 remaining very much a part of our lives during 2021, we have had another year of learning, adapting and coping. I would like to express my appreciation for the dedication and hard work from Nammo colleagues throughout, and the continued support and trust from all our stakeholders during these exceptional times.

Proving the essence of our vision with another record year

Since the start of the pandemic in early 2020, Nammo has seen solid growth in sales and profitability, in spite of factors like component and materials shortages and immense pressure on supply chains driving costs upward.

In 2021, we continued to build on our positive market and technological momentum, and managed to grow our market share. Nammo's sales rose 16 percent to NOK 6.98 billion in 2021, while profit before tax increased 17 percent to NOK 644 million during the year. This positive result was built on robust US commercial ammunition sales and from security of supply contracts to our Nordic customers, replenishing their stocks throughout the year.

The solid performance in 2021 is a clear testament to our ability to perform and deliver even in adverse circumstances. It also illustrates the strength of our products and brand, and our focus on profitable growth from a lean and effective organization.

Business and technology highlights in 2021

In this record-breaking year Nammo experienced many highlights, and some of these include:

- First major US production contract on new shoulder fired weapon M72 valued at USD 498 million over five years – Nammo's largest ever framework agreement.
- Selected for further development of the US Ramjet Artillery round after demonstrating world leading technology.

- Successfully completed sole source demonstration of US reloaded rocket motor for long-range artillery.
- Increased deliveries of ammunition under Security of Supply contracts to Norway and Finland.
- First delivery contract to Norway on new long-range artillery ammunition and qualification successfully completed in Finland.

In a complex business and technology environment, things may not always go according to plan. We were certainly put to the test this summer when a key customer program faced sudden challenges, which required complex problem solving and decisive action to rectify.

We proved ourselves equal to this task by engaging immediately with the customer in an open and transparent manner, and resolved problems thanks to collaboration and tireless specialist teams, working round the clock – guided by our values: Dedication, Precision and Care.

To my mind, it is how we approach and resolve problems together that can make a real difference, particularly for lasting customer relationships.

Robustness to secure the future

Nammo's strong financial performance over the past two years, including an all-time high order backlog, has enabled us to continue building a robust and profitable company for the future. This is in line with our vision of Securing the Future and underscores our commitments under security

of supply agreements: to supply in times of peace, unrest and conflict.

We continued to invest in and advance our technology and production methods, maintaining an industry-leading level of research and development during the year. We are determined to stay at the forefront of technological development and remain relevant for our customers in the long-term.

During the year, we progressed the Group's digitalization strategy. Our ambition is to be at the forefront of our customer's needs regarding cybersecurity and digital interaction. As part of this journey, we have started to update and standardize our IT platforms, systems and processes. This includes defining common platforms in areas such as Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) systems, data analytics and insight platforms, Internet of Things (IoT), and bolstering employee platforms. In addition, we began the roll-out of the Nammo Management System, a system to formalize and ensure effective use of our common processes, which supports our digital strategy. Throughout the pandemic we have continued to invest in our people, including in training and development. Many of our training programs moved to digital platforms as we adapted to Covid-19 health restrictions. Our new HR platform, Nexus, aims to track employee competencies and development needs across the Group, including development of our leadership tools.

Sustainability – an integral part of the Company

Our ability as a company to create positive environmental and societal impact is an important contribution to sustainable development, and will be a competitive advantage for us ahead.

Nammo's sustainability work focuses on eight of the United Nations Sustainable Development Goals (SDGs), each with defined measurable objectives and key performance indicators, tracked at regular intervals. Information on our relevant SDGs is presented on page 18 of this report.

Nammo is establishing a greenhouse gas (GHG) emissions baseline and is committed to reducing Group-wide GHG emissions by 50 percent by 2030.

As an energetics company, we place extraordinary emphasis on good working conditions and employee safety. This is at the core of our vision of Securing the Future. Our Lost Time Injury (LTI) rate for the Group in 2021 was 7.6, and we did not meet our set target of 5.0. Across the Group we see variations in safety performance and we will continue to drive safety culture improvements at all sites.

Throughout the year, we continued to integrate and elevate our sustainability efforts across the Group. We have implemented sustainability into all our internal management system processes and held our first ever Sustainability Summit. The Nammo Raufoss Sustainability Team became the first recipient of our recently instituted Sustainability Award, which seeks to recognize valuable

initiatives across the organization and bring greater attention to sustainability challenges and opportunities.

In addition to providing high quality products that meet or exceed specifications, Nammo will over the long-term seek to assist customers in managing the entire product lifecycle by offering them our demilitarization services, and steadily shift towards a circular business model.

During the pandemic Nammo has successfully maintained continuous operations and followed the health and safety guidelines in the countries where we operate. In the event of a future pandemic or global health crises Nammo will commit to World Health Organization recommendations and national regulations for vaccines, and other relevant health guidelines. It is imperative to ensure Nammo's operations for the security and sustainability of our allied customers and NATO, whose purpose is to safeguard the freedom and security of all members.

Outlook

Looking ahead, we have a solid business foundation for continued profitable growth. However, the effects of rising geopolitical tension, the war in Ukraine and persistent pandemic-related challenges are likely to be felt during the year.

The past couple of years have taught us that while we can plan all we want, plans may still get derailed. It is important, therefore, to concentrate our efforts on areas where we have direct impact and control, as we continue to

build a robust business for the long-term. We will continue to work with suppliers, partners and customers in all our markets to find solutions to overcome challenges.

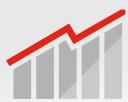
We reaffirm our commitment to support the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption. These principles continue to play an important part of our strategy and day-to-day operations.

Our vision is more relevant than ever to us as a business and the societies that we serve. I am truly grateful for the opportunity to work with so many talented Nammo colleagues and proud of being part of a company that seeks to Secure the Future.

On behalf of the management team and all employees of Nammo Group,


MORTEN BRANDTZÆG
PRESIDENT & CEO

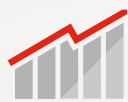
HIGHLIGHTS 2021



Sales

16%

Sales increased by 16 %



Order Backlog

12%

Order stock increased by 12 % to record level



Profit

17%

Profit before tax increased by 17 %



ROCE

18%

Return on Capital Employed was 18 % for the year



Gender Equality

27%

Achieved our 2021 target for female employees



Business Integrity

89%

Completed e-learning



Value Chain Integrity

>90%

Screening of new strategic suppliers



Employee well-being

≤5

Target lost time injury value

**As a leading international aerospace and defense Group,
Nammo is committed to securing a sustainable future.
We stand by our core values of dedication, precision and care.**



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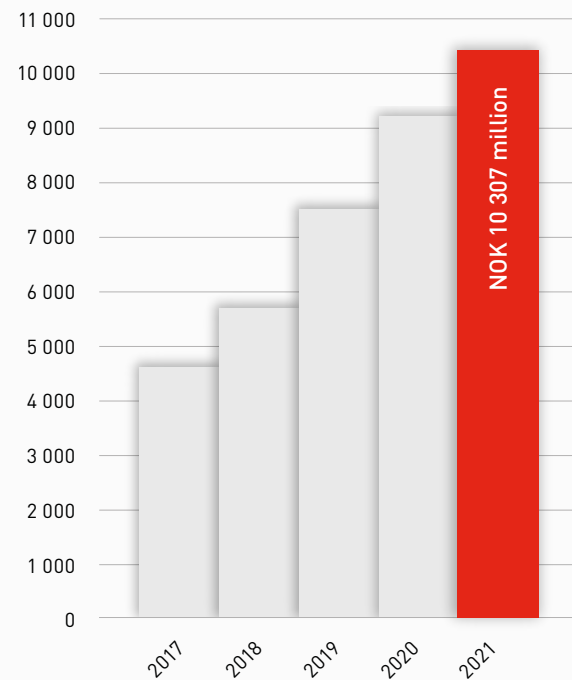
01 Key figures

KEY FIGURES

(NOK 1 000)

	2017	2018	2019	2020	2021
Order Backlog	4 645	5 813	7 443	9 170	10 307
Revenue	4 462	4 920	5 073	6 036	6 978
Earnings Before Interest and Tax (EBIT)	367	362	352	564	675
Total Assets	5 632	6 083	6 229	7 106	7 024
Total Equity	2 537	2 688	2 776	3 011	3 187
Average Man-years	2 217	2 409	2 377	2 523	2 648
Return on Sales (ROS)	7.6%	6.7%	6.0%	9.1%	9,2%

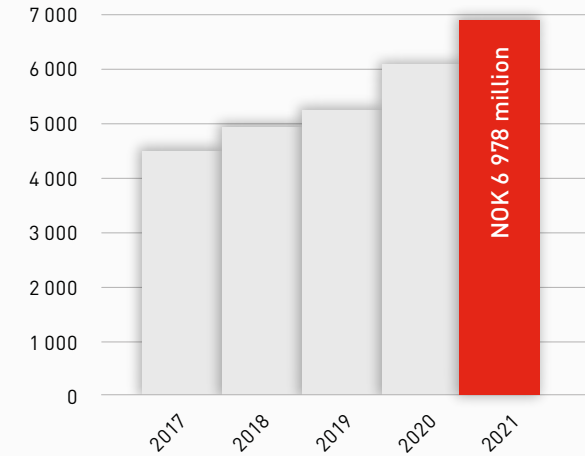
Order Backlog



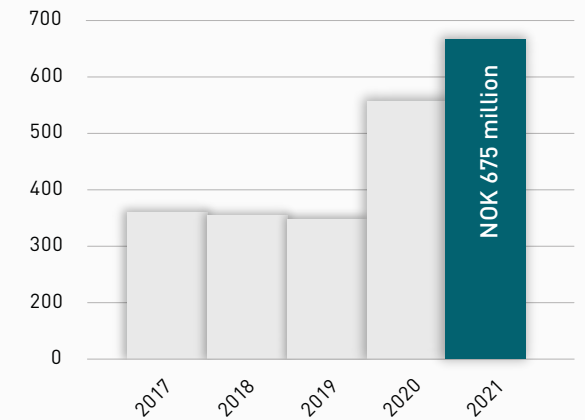
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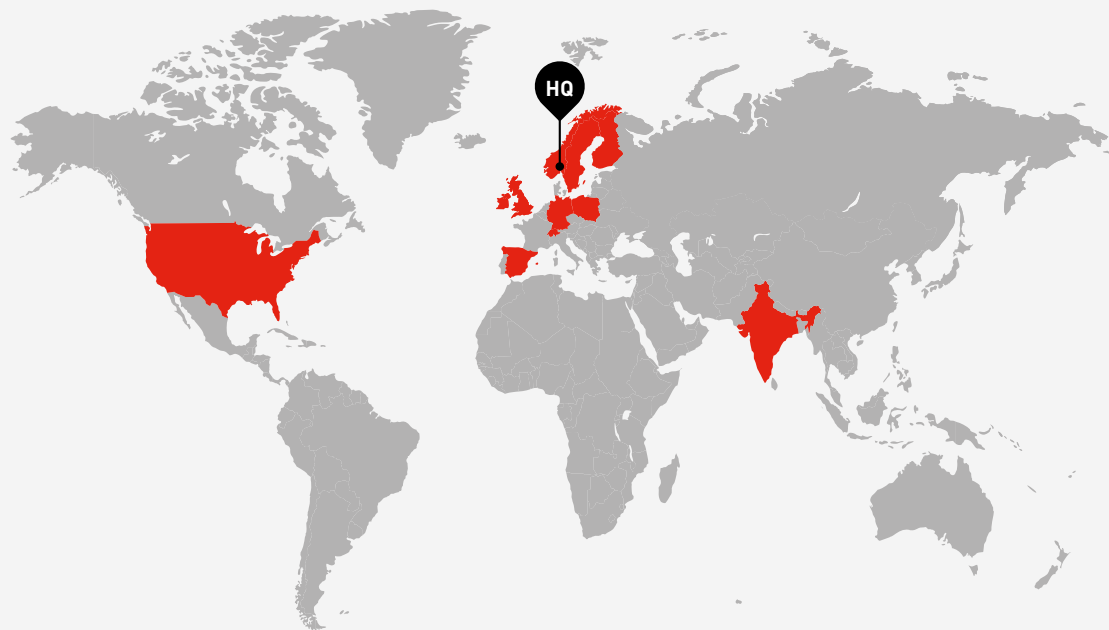
Revenue



Earnings Before Interest and Tax (EBIT)



GLOBAL FOOTPRINT



HQ
NORWAY
Raufoss

Employees
2700

Countries
12

Production sites
27



♀ **27%**
Female

♂ **73%**
Male

KEY FIGURES

Nammo's main customers are national authorities, defense forces and other aerospace and defense manufacturers. Commercial market products are sold through distributors, retailers and national sport shooting and biathlon associations.

Nammo sales



Segment sales

79%
Defense and Aerospace

21%
Commercial



Geographical sales distribution

37%
North America

31%
Nordic countries

24%
Rest of Europe

8%
Other



Sales to NATO and European countries vs. other

92%
NATO/Europe

8%
Other



ABOUT NAMMO

Nammo is an international aerospace and defense company headquartered in Norway. With 2 700 employees across 27 production sites and a presence in 12 countries, Nammo is today one of the world’s leading providers of specialty ammunition and rocket motors for both military and civilian customers.

Testing area at Nammo Raufoss, Norway

The Group was founded in 1998 through a government-led business combination of the Nordic ammunition and propulsion businesses in Norway, Sweden and Finland, all of whom brought with them proud legacies of innovation, quality and service to their customers. In the years since, these initial locations have been joined by similar businesses from across Europe and North America, making Nammo what it is today – a unique combination of small, yet highly capable, specialist operations that are equally at home on both sides

of the Atlantic. Nammo is owned by the Norwegian Government, through the Ministry of Trade, Industry and Fisheries, and the Finnish company Patria Oyj. Both hold 50 percent of the shares, with the position of Board Chairman alternating between the two owners on an annual basis.

Nammo considers itself a niche company, aiming to deliver a truly reliable advantage to customers that accept only the best from themselves and their equipment. Customers are primarily located in Europe and North

America, markets which consistently represent more than 90 percent of the Group’s revenue.

Aerospace and Defense represents roughly 80 percent of Nammo’s business, with production facilities in Europe and the United States, all marketed under the Nammo brand. Commercial products, primarily commercial ammunition, gunpowder and components, represents roughly 20 percent, with the majority of production in Europe, marketed under brands including Lapua, SK, Vihtavuori, Berger and Hansson Pyrotech.

ABOUT NAMMO

NAMMO'S VALUES

These values are the fundamental principles guiding the way the company does business and interacts with its stakeholders.



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.

Photo 1–2: Production at Nammo Raufoss, Norway.

Photo 3: Raufoss Football – opening of the new sportshall at Raufoss celebrating the new Nammo wall.

Nammo's vision: Securing the future



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. We must emphasize the importance of every single employee.



We will protect our national and allied forces with high-quality defense products.



We will secure the future development of sustainable products, processes and services.



We will secure further growth based on strong financial performance.

BUSINESS UNITS

Nammo's day-to-day operations are conducted through four business units, each led by an Executive Vice President (EVP).

Small and Medium Caliber Ammunition (SMCA)

EVP: Reijo Bragberg

SMCA is the business unit delivering the widest range of products to the largest number of customers. With major manufacturing operations in Norway, Sweden, Finland and Spain, as well as smaller operations in several other countries, it covers Nammo's military ammunition products from 4,6 mm up to and including 40 mm. Its specialties include market-leading armor penetrators based on tungsten carbide, lead-free small arms ammunition, programmable 40 mm airburst ammunition, and Nammo's signature Multipurpose ammunition, which has delivered decisive firepower to both infantry vehicles and aircraft for more than 50 years. SMCA also provides environmentally friendly demilitarization services at facilities in Norway and Sweden.

Large Caliber Systems (LCS)

EVP: Vegard Sande

LCS delivers large caliber ammunition for naval gun systems, projectiles, ammunition for main battle tanks, ammunition and ammunition components for mortar systems and components for artillery systems, and shoulder-fired weapons such as the M72-series. It has major manufacturing operations in Norway, Sweden, Finland, USA and Switzerland.

In recent years, Nammo has positioned itself as the leading provider of range-extension technologies for artillery systems, developing and manufacturing both complete long-range shells and components and technologies for integration into other designs. Its product range also includes hand grenades, such as the Scalable Offensive Hand Grenade, and the Anti-Personnel Obstacle Breaching System (APOBS) used by the US Army and the US Marine Corps.



Photo: U.S. Corps photo by Sgt. Luke Kuennen

BUSINESS UNITS

Aerospace Propulsion (AP)

EVP: Stein Erik Nodeland

AP specializes in developing and delivering compact, yet supremely reliable and powerful propulsion systems and energetics for both military and commercial applications. With development and manufacturing operations in Norway, the United Kingdom, Ireland and the USA, it has supported international tactical missile programs since the early 1960s, with Nammo today being the sole provider of rocket motors for several key programs. Nammo's core of aerospace engineers are at the cutting edge of development for new propulsion solutions for both air and space applications, including air-breathing and hybrid designs. Other key products include energetic components for aircraft escape systems and in-space propulsion for satellites and other spacecraft, such as the UK-designed and built LEROS series of engines.

Commercial Ammunition (CA)

EVP: Raimo Helasmäki

CA delivers premium commercial ammunition products and gunpowder under the brands Lapua, SK, Vihtavuori and Berger. With major manufacturing operations in Finland, Germany and the USA, its products are trusted and preferred by competition shooters everywhere. CA is also responsible for Nammo's production of ammunition base components such as cups and disks, through Nammo's German subsidiary ND PressTec.



HIGHLIGHTS 2021

BUSINESS AND CUSTOMER

Record sales and profitability of commercial high-end ammunition and component sales in the US.

First major US production contract on new shoulder fired weapon M72 valued at USD 498 million over five years – Nammo’s largest ever framework agreement.

Successfully completed sole source demonstration of US reloaded rocket motor for long range artillery.

First delivery contract to Norway on new long-range artillery ammunition and qualification successfully completed in Finland.

Drone mounted M72 proof of concept revealed.

Selected for further development of US Ramjet Artillery round after demonstrating world leading technology.

Increased deliveries of ammunition under Security of Supply contracts to Norway and Finland.

Demonstrated ability and dedication to deliver on-time to customers in a challenging business environment.



Nammo Mesa, Arizona
Photo: Nammo US/Reece Max

ORGANIZATION AND PEOPLE

Another great team effort from all Nammo employees in managing the pandemic at all production sites in all countries.

Internal business processes strengthened with Nammo Management System to ensure Group-wide uniform processes to support future growth.

Maintained industry-leading levels of R&D to remain the cutting edge of technology development and relevant for our customers for the long term.

First Group-wide Sustainability Summit held in July.

Achieved target of 27 percent female employees in 2021.

Embarked on our digital journey to be at the forefront of customer needs regarding cybersecurity and digital interaction.

Digital Nammo Awards recognizing excellence in HESS, Teamwork, and Sustainability.

Launched new HR system Nexus to track competence and develop our leadership tools.

Participated at several key industry tradeshows to strengthen customer relations.

02

Sustainability report

Nammo



APPROACH TO SUSTAINABILITY

Nammo is committed to identifying and addressing its environmental, social and governance impacts. We transparently and publicly report our material impacts, including on human rights. Our ability to create long term value is directly linked to our Environment, Social, Governance (ESG) performance and it is that performance level which provides our social license to operate. We hold ourselves to account when we have not met our own high standards or the targets we set. Nammo operates to the highest ethical standards and complies with all relevant laws and regulations where it operates.

APPROACH TO SUSTAINABILITY

SUSTAINABILITY STRATEGY AND PRIORITIES

Our strategic sustainability priorities are informed by stakeholder feedback, internal due diligence and independent expert analysis. We prioritize addressing areas where we consider we have a significant impact and those areas that are vital to the ability to create long term value. We are guided by our values, including the environmental, social and ethical standards we set for ourselves. We have implemented a global sustainability strategy, which includes goals and targets for five prioritized areas:

Business Integrity

- Anti-bribery and corruption
- Corporate governance
- Cybersecurity

Value Chain Integrity

- Business partner due diligence
- Supply chain governance, human rights and anti-corruption standards

Employee safety and well-being

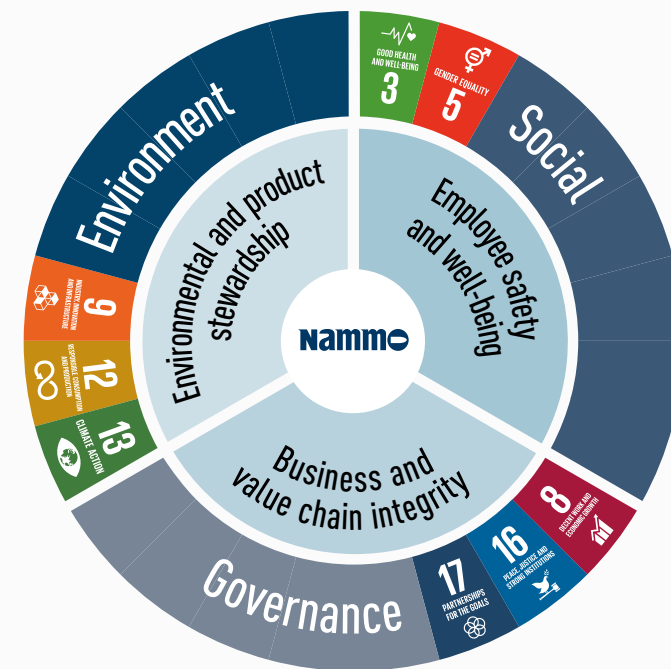
- Occupational health and safety
- Diversity
- Competence development

Environmental Stewardship

- GHG emissions
- Energy use
- Water management
- Climate risks

SUSTAINABILITY FRAMEWORK

The strategic focus on sustainability is represented in the sustainability framework (see figure on the right), which is considered core to the way we operate our business. Focusing on the five priority areas is essential for our social license to operate and ability to create value. The framework clearly defines how we approach ESG issues and demonstrates where we contribute to the United Nations Sustainable Development Goals (SDGs).



Nammo Sustainability Framework

APPROACH TO SUSTAINABILITY

ESG POLICIES

We have established formal and documented ESG policies at the Group level. These policies govern the management approach and decision making regarding environmental, social and governance matters. The ESG policy suite includes the following policies:

- Code of conduct
- Human rights policy
- Anti-bribery and corruption policy
- Procurement policy
- Trade compliance policy
- Fair competition policy
- Supplier Conduct Principles
- Health, Environment, Safety & Security (HESS) policy
- Guideline on “How to raise concerns”
- People Policy
- Moder Slavery Act Statement

All of these policies are approved by the Board and reviewed at least annually. Copies of the policies are available on www.nammo.com.

MATERIAL TOPIC REVIEW

Nammo conducted an in depth and comprehensive materiality assessment in 2019, to identify and prioritize environmental, social and governance (ESG) topics for reporting. The assessment included formal stakeholder interviews, a staff survey and an internal review of the ESG impacts. An expert consultant provided independent analysis of the results and provided reporting recommendations. An annual review of our material impacts and topics for reporting is undertaken, including independent external review. In 2021, this review process followed the GRI Materiality Standard (GRI 3), and considered the significance and likelihood of our impacts in determining material topics for reporting. Ongoing assessments are undertaken when and where there are significant changes to the organization, its strategy, or business environment, and a comprehensive materiality assessment is commissioned at least every four years.

ENGAGING WITH OUR STAKEHOLDERS

We maintain an open and ongoing dialog with our key stakeholders in all of the countries where we operate. Key stakeholders include our employees, unions, customers, regulators, research and funding organizations, owners, suppliers, NGOs and local communities in areas of operation representing the interests of civil society. Many of Nammo’s production sites are located in rural areas where we are a significant employer of choice and have a strong presence in the local community. We are committed to building strong relationships with our key stakeholders, and supporting the communities that support us.

We continuously assess our potential impacts and consider the views of different stakeholders when prioritizing our ESG focus areas. The approach to stakeholder engagement is not ‘one size fits all’ and is tailored to each individual stakeholder and to the cultures in the countries where Nammo operates. The graphic on the next page provides an overview of how, and with whom we engage on sustainability topics, including key topics raised by stakeholders.

Stakeholder engagement

Stakeholder engagement	Key issues raised		Stakeholder engagement	Key issues raised	
<p>Employees</p> <p>Employee surveys, branding and e-learning survey, all hands meetings, appraisal dialogue, intranet, social events, Code of Conduct, People Policy.</p>	<ul style="list-style-type: none"> • Employment relations and satisfaction • Covid 19 and home office • Health Environment Safety & Security (HESS) • State of the business 	<ul style="list-style-type: none"> • Sustainability Summit • Company award ceremony (Team, HESS and Sustainability) • Leadership and mentoring programs 	<p>Customers</p> <p>Meetings, factory visits, customer audits, trade shows, product demonstrations, acceptance tests.</p>	<ul style="list-style-type: none"> • Offers, quality, prices and lead times • Product quality and performance • Technology development 	<ul style="list-style-type: none"> • Licenses and export control • HESS • Services • Sustainability
<p>Civil society/Media/Local community</p> <p>Meetings, interviews, opinion pieces, School visits, family day, meetings with local municipality.</p>	<ul style="list-style-type: none"> • Business environment and practices • Local community topics; infrastructure and crisis handling • Industrial Park Open Day • Emissions 	<ul style="list-style-type: none"> • Environmental monitoring and safety • Vocational training • Sponsorship of local sport associations and science centers, local and national fundraising 	<p>Suppliers</p> <p>Meetings, factory visits, quality audits.</p>	<ul style="list-style-type: none"> • Due diligence questions • Offers, quality and prices 	<ul style="list-style-type: none"> • Customer flow-down requirements • Product quality and development
<p>Unions and union representatives</p> <p>Local and European work council meetings.</p>	<ul style="list-style-type: none"> • Work environment council meetings • HESS Safety council meetings • Employment relations 	<ul style="list-style-type: none"> • Strategy and business forecast 	<p>Owners/Shareholders</p> <p>Monthly report, quarterly meetings, board meetings, annual general meeting.</p>	<ul style="list-style-type: none"> • Business status • HESS • M&A • Sustainable development goals 	<ul style="list-style-type: none"> • Risk, Audit, Compliance Committee topics • HR and compensation Committee topics
<p>Non-Governmental Organizations (NGO's)</p> <p>Meetings and open discussions, conference participation, contribution to reports and survey.</p>	<ul style="list-style-type: none"> • Export control and human rights due diligence 	<ul style="list-style-type: none"> • Environment and emissions • Sustainable development goals 	<p>Authorities/Regulators</p> <p>Formal meetings, audits, network with industry sector associations.</p>	<ul style="list-style-type: none"> • Governance and compliance • Security and Safety 	<ul style="list-style-type: none"> • Sustainable business • Political hearings
			<p>Research institutions, Academia, R&D funding organizations</p> <p>Conferences, meetings, cooperation and partnership, reporting, employment fairs.</p>	<ul style="list-style-type: none"> • Innovation and collaboration • Sustainability projects 	<ul style="list-style-type: none"> • Educational cooperation • Recruitment

APPROACH TO SUSTAINABILITY

SUSTAINABILITY REPORTING BASED ON RECOGNIZED STANDARDS

Nammo reports on its sustainability performance to demonstrate its commitment addressing ESG impacts and to meet stakeholder expectations. The report meets the legal requirements of the Norwegian Accounting Act and has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, the World’s most widely used sustainability reporting standard.

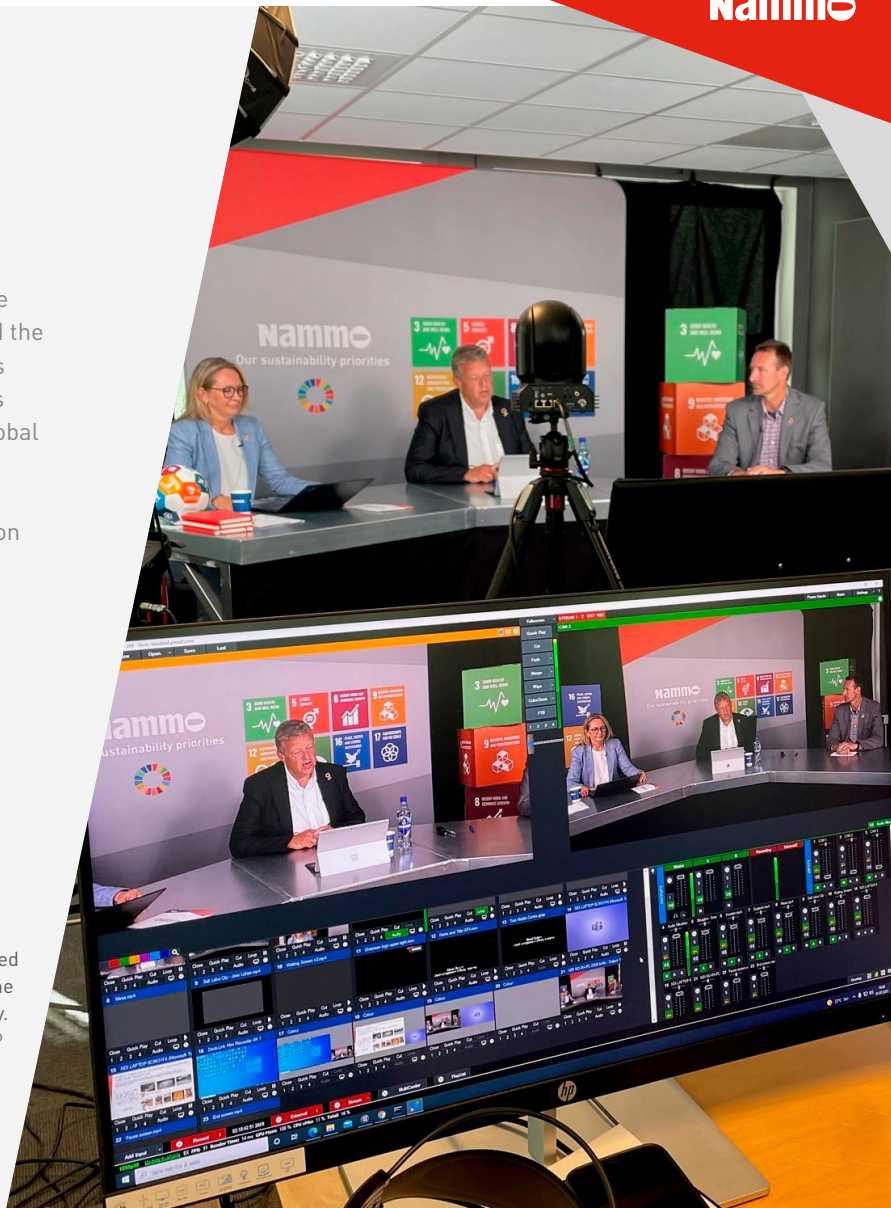
About this sustainability report

This report presents Nammo’s environmental, social and governance impacts, including impacts on human rights, for 2021. The report has been prepared in accordance with the GRI Standards (2021). Nammo reports using the Sustainability Accounting Standards Board (SASB) standards for Aerospace and Defense (2018), as well as custom indicators, where appropriate GRI disclosures do not exist. The consolidation approach has been applied when calculating greenhouse gas (GHG) emissions (financial control). A GRI Index is available in the Appendix to this report and at www.nammo.com. The report is aligned with Norwegian guidelines on the State’s direct ownership

of companies: Meld. St. 8 (2019–2020) Report to the Storting (white paper). Nammo also incorporates the principles of the United Nations Global Compact and the OECD Guidelines for multinational enterprises, in its management and operations. This report represents Nammo’s Communication on Progress to the UN Global Compact (active reporting level). Nammo is actively monitoring the development of the EU Taxonomy, including its reporting requirements. When regulation is finalized, Nammo will report the percentage of its capital and operational expenditure which is taxonomy eligible and aligned.

Nammo Sustainability Summit broadcasted to all employees early July 2021 kicking off the Group strategy work on Sustainability.

Photo: Nammo





SUSTAINABILITY CONTEXT IN NAMMO'S OPERATING ENVIRONMENT

As a defense and aerospace business, Nammo operates in a unique and dynamic environment. Heightened geopolitical tension, climate impacts and global social and environmental challenges are driving rapid change. There is a significant and increasing focus on resilience and sustainability within our industry and Nammo is taking significant steps in response.

SUSTAINABILITY CONTEXT IN NAMMO'S OPERATING ENVIRONMENT

Accountability, integrity and sustainability required

In its recent white paper (Meld St.17) on Cooperation for Security, the Norwegian Ministry of Defense stated that, "Clear standards of accountability, integrity and sustainability are required when the Armed Forces cooperate with defense suppliers and carries out acquisitions. Compliance expectations for all parties are heightened due to the large amounts of money and classified information involved." Nammo has been focused on these critical requirements as core business priorities for some time. Our sustainability reporting is a way of clearly and transparently communicating our performance in relation to them.

Responsible and sustainable business practices

Internationally, our key customers are also explicitly stating their desire to procure materials from suppliers who demonstrate responsible and sustainable business practices. The US Army Secretary stated in its recently published climate strategy that they "will use their buying power to drive change in industry and leverage best practices from many sources." As increasing sustainability expectations are formalized, Nammo has the opportunity to leverage its strong market position. We can deliver innovative materials which are fit for purpose and meet our

customers' shared goals of lower whole-of-life impacts.

In a highly innovative and disruptive industry which generates global revenues of USD 551 billion annually (NOK 21 billion in Norway alone), responding to changing customer requirements and societal expectations is part of our license to operate. We are highly attuned to our customers' and stakeholders' expectations for lower product lifecycle costs, providing efficient equipment with lower whole-of-life impact and operating clean and resilient supply chains.

Collaborating and working with partners

We realize we can collaborate and work with our partners to help them meet their sustainability commitments, including the United Nations Sustainable Development Goals. We are also aware of the potential for defense technology to be incorporated into the core technologies facilitating the shift to a greener economy. Some existing examples include autonomous shipping, underwater sensor systems for mapping the spread of micro plastics at sea, and low-cost launch systems for satellites for environmental monitoring. Many other opportunities exist to leverage emerging and disruptive technologies for more sustainable outcomes. Similarly, innovative materials and production methods from our sector have the potential to make a meaningful difference.

Knowledge-based industry

We are operating in a knowledge-based industry. Sustained investments in research and development are required to bring new products to market, continuously improve existing offerings and ultimately to remain competitive. But more than just financial investment is required to stay ahead of the curve. Our long-term focus on building human capital and stimulating a learning culture is a key part of our value creation strategy. We continue to focus on attracting, training and retaining people who can contribute to the company's goals. Offering a diverse, rewarding and inclusive work environment, where people can reach their full potential is an essential part of Nammo's approach to social sustainability.

Long term relationships

Our ability to build and foster long term relationships with customers, suppliers and key stakeholders will be built on a foundation of trust and integrity. In an industry where strategic, commercial and technical imperatives are critical, Nammo has proven its capability over many decades. We continue to build on this track record to create sustainable value for the company and the stakeholders for future decades to come.

SUSTAINABILITY

Environment

ENVIRONMENTAL AND
PRODUCT STEWARDSHIP

NAMMO

CO₂

ENVIRONMENTAL STEWARDSHIP



Nammo has a direct impact on the environment throughout the lifecycle of its products and services. Our ambition is to reduce environmental impact as much as possible and minimize the environmental footprint in all phases of the product lifecycle.

We are committed to reducing our environmental footprint, by measuring and mitigating impact, as well as implementing the most efficient technologies and processes. The goal for 2022, is to establish a comprehensive emissions baseline from which to set future reduction targets.

Environmental management approach

In parallel to mapping Group emissions, work to reduce energy consumption and change our energy sources to renewables is ongoing at several locations across the company. For example, we have introduced Lean Six Sigma improvement projects at each site, which form part of the mandate of each Business Improvement Team.

To ensure that we maintain the environmental standards

we have set for the Group, the majority of our sites are certified in accordance with ISO 14001 with 70 percent of Nammo employees working at such sites. In addition, a Health Environment Safety and Security (HESS) directive that requires all sites to review environmental improvement plans annually and report any non-conformities is put in place. Environmental issues was included as an agenda topic during the annual HESS site assessment at all of Nammo’s production facilities in 2021.

Reducing environmental impacts

At Nammo, our largest impacts on the environment are through Greenhouse Gas (GHG) emissions and the risk of polluting local sources of water. We are constantly striving to reduce these impacts as well as working to

reduce noise levels, and managing other environmental factors in accordance with existing regulations and internal instructions.

We currently have two sites that are managing historical pollution issues, both of which occurred prior to Nammo acquiring the sites. Nammo is working to address the environmental impacts on these sites and has implemented internal plans for improvements and close cooperation with national authorities. Nammo’s facility in Mesa, Arizona, is now working more closely with the Environmental Protection Agency through an Administrative Order on Consent to address the historical pollution on the site. We consider this work to be under control.

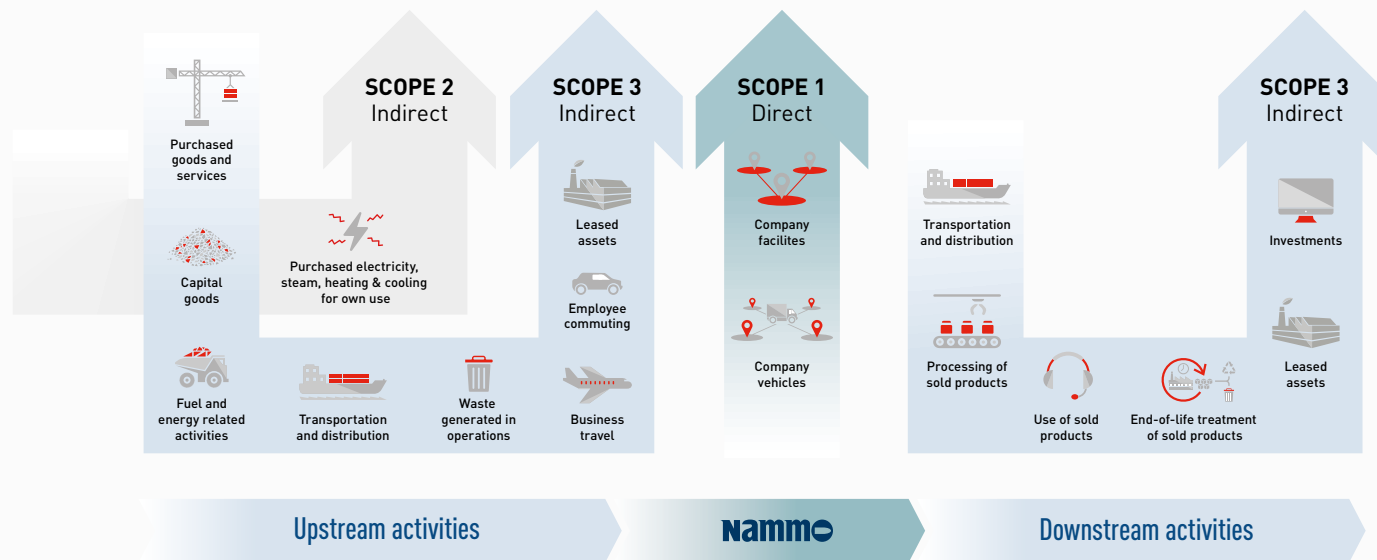
ENVIRONMENTAL STEWARDSHIP

Mapping and reducing GHG emissions

Nammo takes its responsibility to minimize its GHG emissions seriously and as a first step has sought to map its direct and indirect emissions to establish a baseline. We are now able to report scope 1, 2 and 3 emissions according to the GHG Protocol and are working to improve the availability and quality of source data.

In 2021, Nammo's total GHG emissions were 34.40 tons CO₂e when calculated using a market based approach (2020: 26.89 tons). The GHG intensity ratio in 2021 was 4.93 tons CO₂e per million NOK revenue (2020: 4.45 tons). Total GHG emissions and GHG intensity were restated for the 2020 annual period as 26 888 tonnes CO₂e and 4.45 kg CO₂e/ 1000 NOK revenue respectively (previously stated in the 2020 report as 25 719 tonnes CO₂e and 4.3 kg CO₂e/1000 NOK).

The reported increase in gross emissions and emission intensity resulted from greater data availability and an aggregate increase in energy consumption. See enclosed GRI Index for more detailed information.



ENVIRONMENTAL STEWARDSHIP

Energy saving

Energy efficiency measures provide economic and environmental benefits. For this reason, reducing energy consumption and energy conservation measures are highly prioritized at all sites. By using alternative energy sources, Nammo has already made significant cost savings.

All sites have at least one energy saving, water conservation or other environmental impact reduction project ongoing, with Group oversight of the projects coming through annual reviews conducted during the annual Nammo Group HESS site assessments.

Reported energy consumption at our production sites was approximately 87,431 MWh in 2021, up from 66,674 MWh in 2020. However, the energy mix was cleaner and resulted in lower total GHG emissions.

Waste and hazardous materials management

Nammo consistently monitors the handling of hazardous material to ensure that such material does not contaminate the environment. In addition to ensuring compliance with national environmental laws and regulations, all Nammo sites, must comply with the European REACH regulations (Registration, Evaluation, Authorization and Restriction of Chemicals), which aim to protect human health and the environment from risks posed by chemicals. REACH impacts all Nammo Group sites, all sites work proactively in identifying substitute substances and materials that minimize potential harm to human health and the environment. Downstream customers are informed of all candidate list substances exceeding REACH defined thresholds in Nammo products, in accordance with REACH reporting requirements.

Waste is handled in accordance with national laws and regulations at each operating location. Our goal is to minimize the amount of waste destined for landfills by delivering waste for recycling or combustion with energy recovery.

Water management

The Nammo Group operates at 27 production sites in nine countries. Water consumption requirements and associated impacts vary between sites due to the different types of production. Nammo Group adheres to national and local water quality requirements at each of our sites. We ensure that all sites comply with national and local regulations regarding water effluent quality, discharge, withdrawal, consumption and impacts from runoff.

Currently, each site analyzes its water consumption annually and works to identify ways to reduce consumption. Where water consumption is an issue, the sites engage with local stakeholders. The Nammo Group has an overall goal of reducing water consumption at each site, and progress is reviewed during annual Nammo Group HESS site assessments.

Photo: Nammo



TAKING ACTION TO REDUCE EMISSIONS

ZERO EMISSION TEST FACILITY

In cooperation with the UK Space Agency, Nammo designed and built its new National Space Propulsion Test Facility (NSPTF), with a zero emission future in mind. By replacing traditional carbon fuel sources used in its steam boilers with electrically powered vacuum pumps, the facility is predicted to reduce greenhouse gas emissions by over 200 tons every year. On top of those avoided emissions, the new facility at the Nammo Westcott site will operate using renewable electricity generated onsite by the Westcott Venture Park’s own solar array.

Nammo uses the site to do propulsion system testing. This requires creating special vacuum conditions to simulate conditions in space so that we can test the propulsion engines used for positioning orbiting spacecraft, which produce exhaust temperatures up to 2,300 degrees celsius. In addition to supporting Nammo’s test and verification efforts, the National Space Propulsion Test Facility is available to other actors within the space industry and academia.



CLIMATE RISK

Nammo uses the Task Force on Climate-related Financial Disclosure’s (TCFD) guidance to evaluate climate risks and opportunities. In 2022, the TCFD framework will be incorporated into the company’s risk evaluation methodology for our annual strategy development process. We will examine risks and opportunities related to climate change in order to systematically assess the potential financial impacts to our business.

TCFD guidelines direct us to examine both transition and physical risks related to climate change in several scenarios based upon different levels of global warming. These range from models where temperature rise is limited to 1.5°C or below in line with the goals of the Paris Climate Accords, through to above 2°C temperature rise scenarios. Key transition risks for Nammo likely include policy and legal, technology, market and reputation; while physical risks include acute and chronic risks.

An example of acute physical risk related to climate change is increased frequency of severe weather such as that observed in North Rhine Westphalia this past July when severe rains impacted several key suppliers for ND Presstec. While Nammo’s own facilities were not directly impacted, torrential rains and resultant flooding

stressed our supply chain. Based on this experience, we recognize that it is a priority for the Nammo Group to conduct such analyses on a broader scale.

Climate related opportunities that will be examined include resource efficiency, energy source, products and services, markets, and resilience. Improving resource efficiency is central to a shift towards a circular economy, where Nammo will strive to support our customers throughout the entire product lifecycle by designing future products for demilitarization, in which we can reuse as much of every product as possible. Experience from over a decade of this type of work at Nammo’s Vingåker site in Sweden will be critical to expanding our offerings in this area going forward.

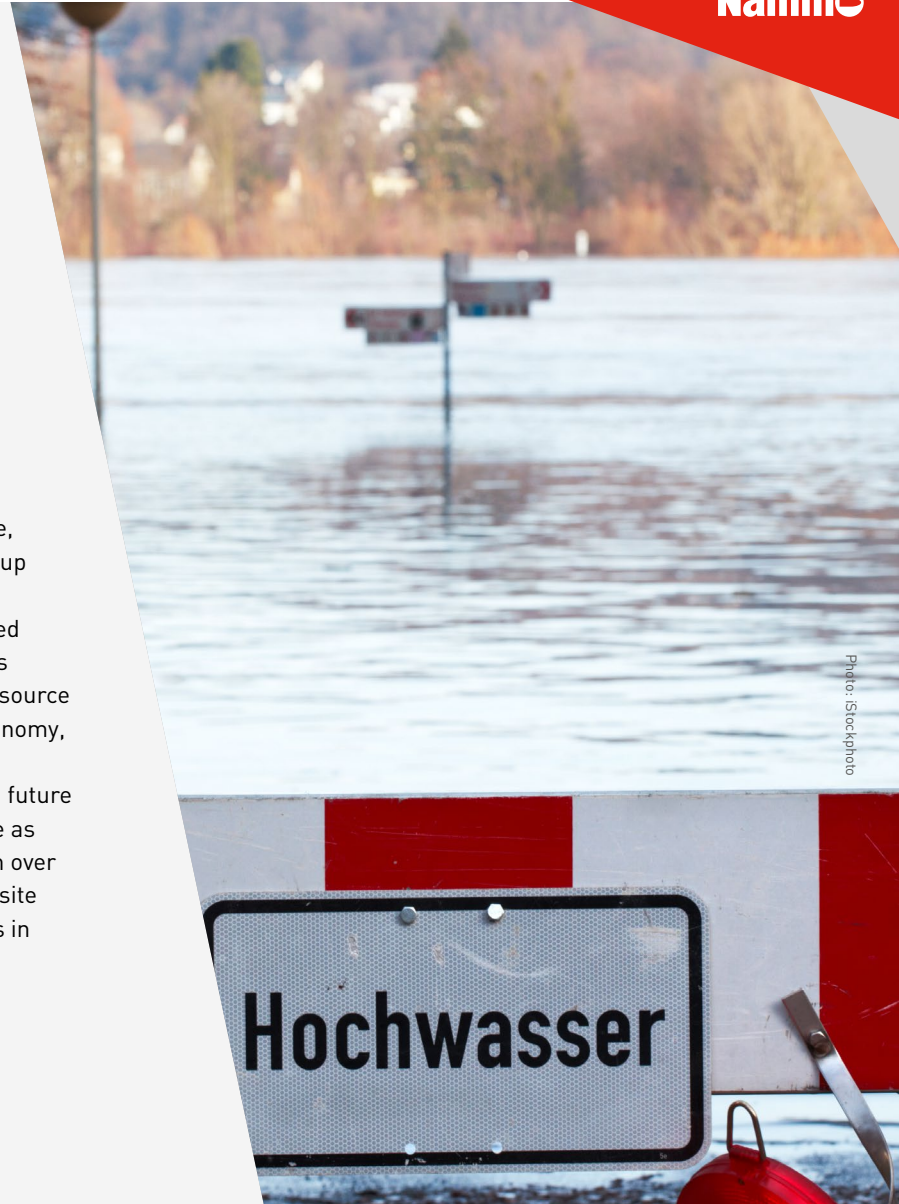


Photo: iStockphoto

PRODUCT STEWARDSHIP



At Nammo, responsibility for a product starts during the innovation process. We focus carefully on the use of environmentally friendly materials in our production lines and processes. Safety levels in systems and products meets all relevant laws, regulations, international standards and best practices.

Nammo is committed to effective and efficient use of resources and materials. We will responsibly manage waste and disposal, and make sure that we do not include “at risk” materials in new development projects.

Life Cycle Assessment

At the end of 2021, work started to define two product development programs as pilot programs for implementing life cycle assessment (LCA) tools and to understand the environmental and social footprint of our products throughout the product life cycle. When concluding on the results and findings we will evaluate how to use the LCA methodology in other future development programs. The introduction to the LCA methodology will continue in 2022.

For existing products, issues are evaluated and addressed through design and process failure mode and effects analysis (DFMEAs and PFMEAs) and value stream mapping (VSM). For new products, all aspects of health and safety are analyzed, and problems are eliminated or reduced to the extent possible during the development process.

Life cycle management

Nammo takes responsibility for the entire product life cycle, providing recycling and environmentally controlled disposal of obsolete munitions and propulsion systems for various customers around the world. All processes meet strict environmental standards, minimizing emissions to air and water.

When relevant, surveillance programs are established to check the conditions of munitions and propulsion systems during their lifetime. The purpose of such programs is to evaluate functionality and whether the product is still safe to store, handle and use.

All our products must be able to meet stringent national, international, aerospace and military standards. Compliance with these requirements results in products exhibiting high performance, safety and top quality.

PRODUCT STEWARDSHIP

Closing the loop on a circular economy

In our journey to become more sustainable we are focusing on identifying the environmental impacts our products have throughout their lifecycle and look for ways to prevent those impacts. These impacts include lifecycle GHG emissions, materials and energy consumed in production, use and end-of-life, as well as direct environmental impacts from product use and disposal.

One of our key focus areas is how we design products and work with our customers to enable disassembly and recycling when products reach their end-of-life, are decommissioned or need to be recovered. Our ultimate goal is to design to circularity principles and create suitable pathways where energy and material resources can be conserved and where possible, re-utilized. We are fully aware of the challenges we face in the industry we are in, and as a sustainability leader we are committed to exploring all options.

NAMMO'S

R3

PHILOSOPHY

Our philosophy for processing ammunition is to remove the explosive content and then, 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.

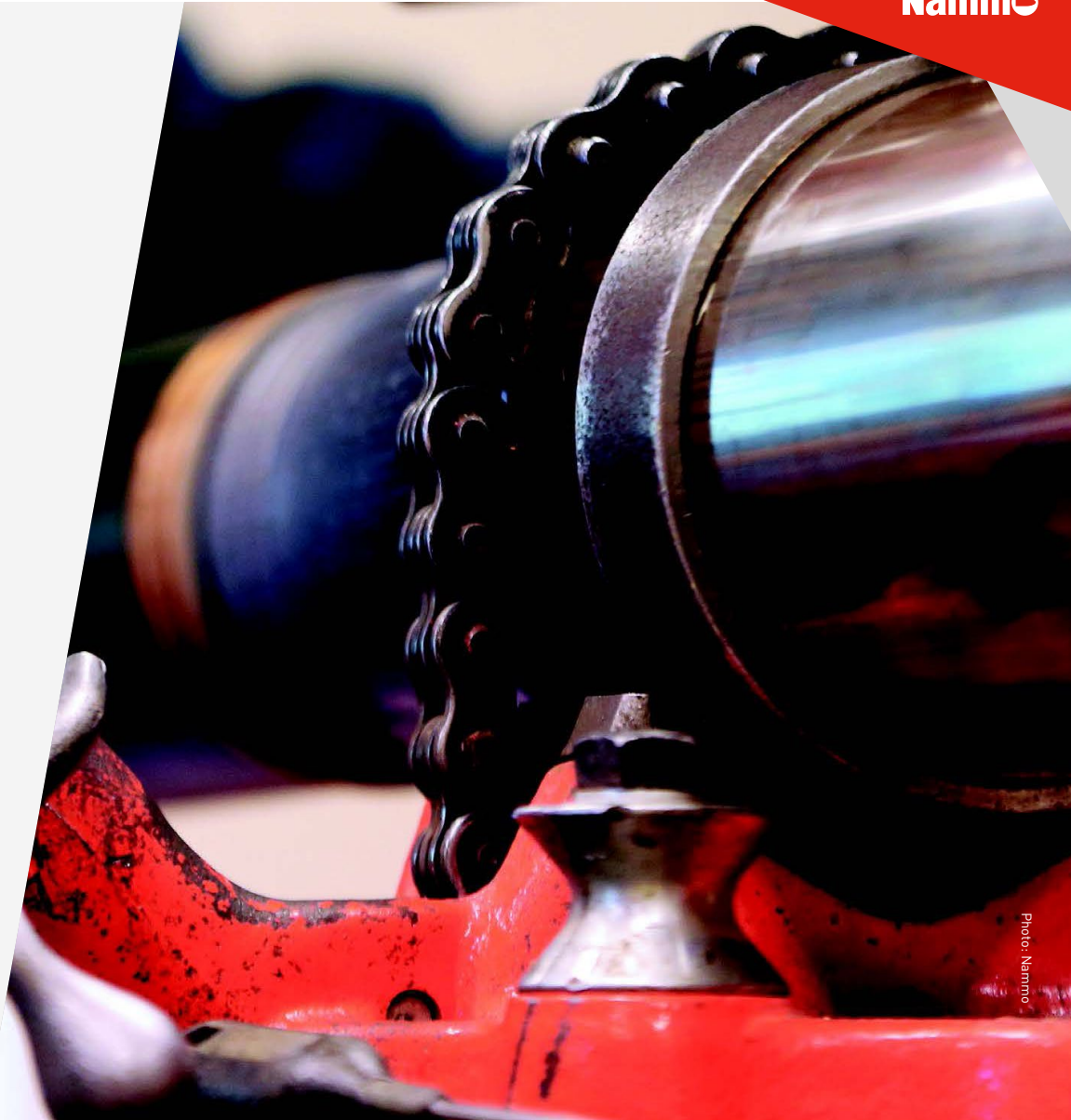


Photo: Nammo



Photo: Nammo

TAKING ACTION TO REDUCE IMPACTS

SHIFTING TOWARDS BIODEGRADABLES

A good example of a current technology project in this area is Nammo’s development and testing of biodegradable practice ammunition. The purpose is to reduce plastic pollution in nature as training ammo leaves empty cartridge cases in the forest during exercises. A transition to biodegradable plastic means that the Armed Forces can meet the requirements and expectations of sustainability in education, training and exercises.

We aim to develop a bio-degradable material that can withstand more extreme environments and stress than the bio-degradable materials that are currently commercially available. Innovation will require a combination of material development, modification of product design and production process for the degradable materials. The time schedule to complete development of the material is autumn 2022. A verification phase will follow consisting of testing of material and examining the degradation in the soil.



SUSTAINABILITY

Social

EMPLOYEE SAFETY
AND WELL-BEING

Nammo



EMPLOYEE SAFETY AND WELL-BEING



Providing a safe and secure working environment is the foundation for a healthy and engaged workforce. Competence development and continuous improvement are key priorities for us.

Nammo is committed to ensuring that all employees are protected against occupational health and safety risks. Our goal is to achieve less than 5.0 lost time injuries per million hours worked.

Occupational health and safety

Health, Environment, Safety & Security (HESS) considerations take priority whenever there is a conflict with other business objectives. We seek to integrate HESS into our everyday operational routines regardless of whether we are working with energetic materials or traditional manufacturing processes such as pressing, machining, or surface treatment operations.

A Group wide HESS policy provides guidance for how our employees handle HESS issues within the workplace.

The HESS policy is reviewed and updated annually and translated into the local language in all of our operating locations to ensure that it is clearly understood. Each year, we conduct a HESS site assessment to monitor the progress of the HESS program at each site. Assessment topics include staffing, competence development, accident and incident reporting, follow up, as well as crisis management plans and training.

Engagement with our employees to address “near-misses” and hazardous conditions is essential in preventing Lost Time Injuries (LTI) and damage to equipment or materials. We maintain a continuous dialogue between operational staff and site management as the most effective way of identifying and addressing challenges that arise in normal operations.

During 2021, we saw an increase in the total number of LTIs (up from 32 in 2020 to 38 in 2021). The associated LTI frequency rate (LTIFR) increased from 6.8 in 2020 to 7.6 in 2021. We failed to meet our LTIFR target of 5.0 lost time injuries per million hours worked. We have identified several sites that will receive additional support and training to help improve their HESS performance in 2022. Greater leadership involvement with site “safety walks” and closer follow up of near-miss or hazardous condition reporting are two of the elements we will focus on during the coming year. Our goal is to engage all operational staff in the ongoing identification and reduction of hazards.

EMPLOYEE SAFETY AND WELL-BEING

Health and safety management system

The HESS management system is based upon requirements of ISO 45001 Occupational Health and Safety Management Systems as well as the ISO 31000 Risk Management guidelines. Each of our operating locations complies with all national and local requirements for occupational health and safety in accordance with our HESS Policy. All permanent and temporary employees in the Nammo Group are covered by the occupational health and safety management system.

In 2021, we conducted quarterly Group Safety Council meetings with HESS leaders from all Nammo sites. During the meetings, we reviewed high-consequence accidents and near-misses in an effort to promote organizational learning, while also touching on topics such as Human and Organizational Performance (HOP) in order to broaden the HESS staff’s breadth of knowledge.

Each site also has its own Safety Council that meets regularly. Employee representatives participate in these meetings to ensure that production staff members’ input is heard in order to contribute positively to development of the overall site occupational health and safety culture. Results from these meetings are shared openly.

Reducing lost time injuries

Reducing both the total number of LTIs and the LTIFR has been, and will continue to be, a priority for Nammo. LTIs are reported to the Group HESS director using an accident report template requesting information about the identification of contributing factors and actions taken at the site to minimize the potential for reoccurrence of similar hazards. In an effort to identify accidents and near misses with high consequence, we developed Serious Injury or Fatality (SIF) criteria. High-potential near misses and accidents are shared throughout the company via a “Safety Flash” format to promote organizational learning.

Lost time injury (LTI) frequency rate

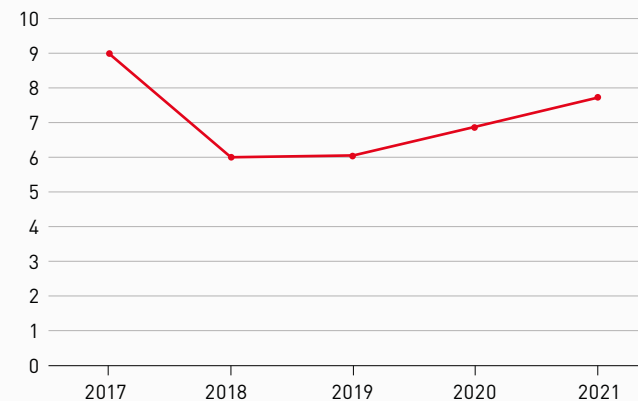


Fig: LTI per one million working hours.

EMPLOYEE SAFETY AND WELL-BEING

Hazardous substances

All employees handling potentially hazardous substances are trained on the hazards associated with the substances and receive annual physical checkups to monitor any changes that could result from working in proximity to such substances. This is part of Nammo's efforts to prevent health impacts from exposure to hazardous substances that are used in production processes.

Training

Occupational health and safety training is integrated within the onboarding process for all new employees. Each site's annual training plan includes specific work-related hazards, hazardous activities, and hazardous situations. Training is delivered through a mix of web-based solutions and face-to-face training with a greater portion of training being migrated into the Nammo Academy Learning Platform that was introduced in 2021. All training is conducted during working hours in each site's native language, attendance is recorded, and feedback is requested to ensure that training is relevant and up to date. Each site's annual occupational health and safety training plan is reviewed during the annual Group HESS assessment.

Site assessments

Eight Group HESS assessments were completed physically at Nammo's facilities in 2021, with the remaining assessment being completed via digital Teams meetings due to COVID-19 related travel restrictions. Annual assessments are conducted in accordance with an agenda provided to each site several weeks prior to the meeting and include:

- Governing policies, directives, and regulations
- HESS targets, plans and resources
- Review of accidents, high-potential near misses, and observed trends
- Competence development, training and education
- Internal HESS routines
- Audits and documentation
- Risk analyses, emergency planning and exercises

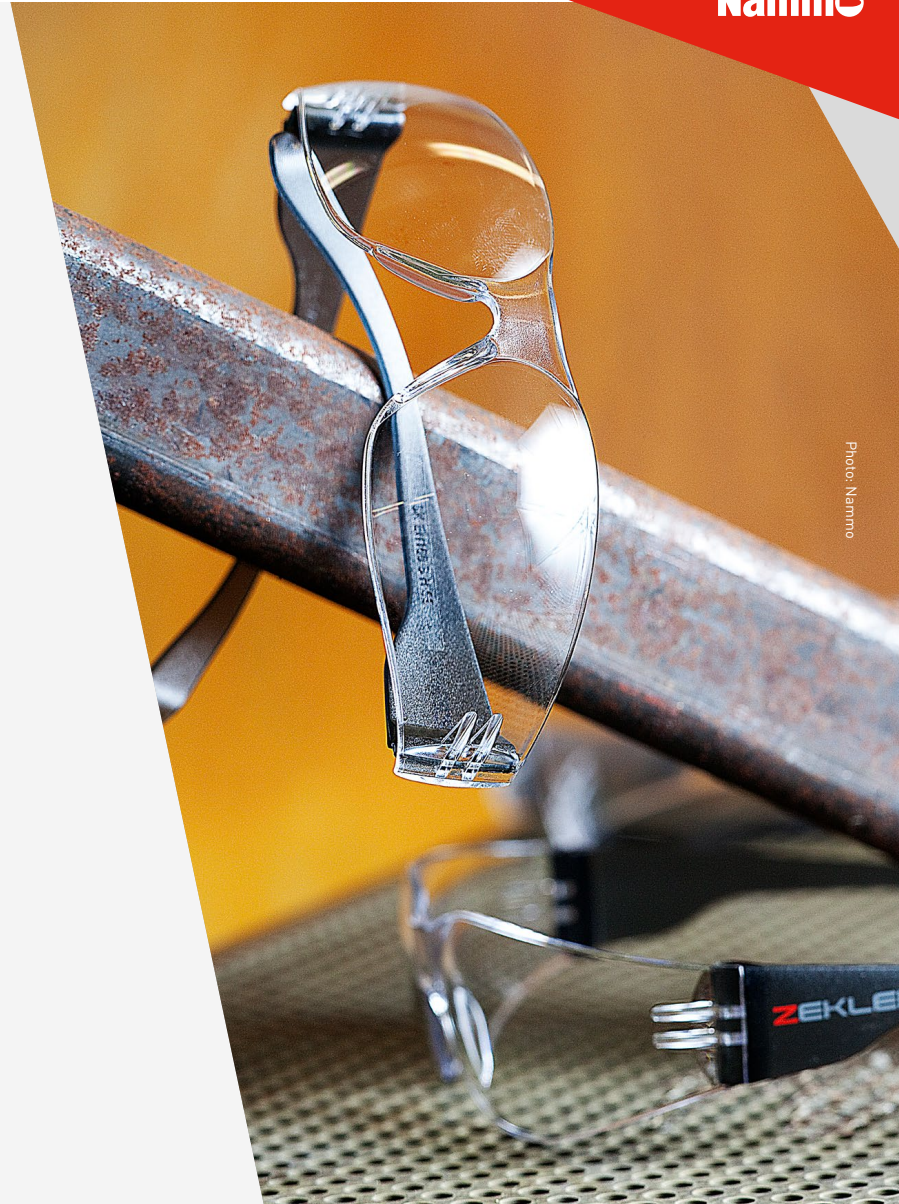


Photo: Nammo

DIVERSITY AND INCLUSION



Nammo is committed to creating a working environment that values diversity, is free from unlawful discrimination and harassment, and is based on the principle of equal opportunity and affirmative action.

We are committed to building and maintaining a One Nammo culture. Our goal is to create an effective operational structure with a positive work environment characterized by empowerment, involvement, and teamwork. Our values of Dedication, Precision and Care supported by the Code of Conduct and People Policy, guide our daily interactions with both internal and external stakeholders.

Code of Conduct and People Policy

Our Code of Conduct sets out the standards of ethical behavior and professional conduct that we, employees and representatives of Nammo, use to guide our interactions with each other, our customers and our business partners. Our People Policy supports Nammo Group Strategy and our

commitment to providing a rewarding, inclusive, fair and sustainable working environment for our people.

On track for 30 percent women by 2030

We are working actively through training and recruitment campaigns to increase the number of female employees and to motivate women to apply for management positions. Women account for 27.2 percent of all employees at the end of 2021, and we achieved our 2021 goal of 27 percent women in our workforce. In the last two years, we have increased our proportion of female employees by 2.2 percent as we strive to achieve our goal of 30 percent women by 2030.

The Group continues its efforts to encourage women from various educations and backgrounds to join

Nammo, alongside our efforts to increase the number of women in leadership positions. Diversity KPIs have been established in all countries of operation. These KPIs are reported quarterly and supported by corporate as well as local initiatives and actions.



DIVERSITY AND INCLUSION

Nammo Group



♀ 27%
Female

♂ 73%
Male

Nammo Board



♀ 38%
Female

♂ 62%
Male

Group Management



♀ 20%
Female

♂ 80%
Male



Photo: Nammo Sweden/love Bing



Photo: Nammo Sweden/love Ring

TAKING ACTION ON GENDER DIVERSITY

INCREASING GENDER DIVERSITY

Nammo is steadily increasing its proportion of female employees by just over 1 percent every year. Gender diversity currently sits at 27.2 percent and is well on the way to reaching the goal of a 30 percent female workforce by 2030. Numbers don't tell the full story of Nammo's commitment to creating a diverse and inclusive work environment. It's about how we are recruiting, training and supporting our female colleagues to participate and lead in a traditionally male-dominated industry.

We enable women to participate in our recruitment processes and where we encounter candidates with equal competence, we actively recruit women. Nammo in Sweden leading the way and has established coaching, mentoring and leadership programs within the company with specific focus areas in gender, equality and diversity. We want to support and develop our female leaders, which includes our provision of suitable maternity leave, allowing women to balance career and family. Women's health promotion and hygiene, including free period packs, are small things we do to make women feel comfortable in the workplace. We discovered along the way that our one-size-fits-all approach to workwear needed to change. Providing a more comfortable range of work clothing designed to meet the requirements of our female employees make a big difference. We've made a start in addressing gender diversity, we're learning more as we go and we can see the positive difference it makes to our company and working culture.



SUSTAINABILITY

Governance

BUSINESS AND
VALUE INTEGRITY

nammo



GOVERNANCE

Nammo AS is a limited liability company established under Norwegian law, with a governance structure based on the Norwegian Companies Act. Nammo is governed by directives and guidelines from the Board in accordance with global and national statutory requirements in the countries where Nammo operates.

Nammo is committed to corporate governance that creates both short- and long-term value for Nammo Group's operations. Our goal is to actively monitor, measure and improve our governance processes. Corporate governance encompasses the leadership culture, vision and values, code of conduct, risk management, reporting and control mechanisms.

Nammo Management System

In recent years, Nammo has carried out a major upgrade of the Nammo Management System (NMS), including a broad and detailed review of the main global business processes as well as the accompanying directives and procedures. The upgraded version of NMS was launched in Q3.

NMS describes how the Nammo Group is governed and its continuous process for identifying and handling risks in its business operations. Through NMS, Nammo has formalized an annual process for risk management, and reinforced the hierarchy and structure of governing documents such as policies, directives and procedures. The risk assessment process and the evaluation of the governing documents is a continuous process throughout the year. Current risk status is regularly reported to the Board of Directors.

Corporate directives

The framework for leadership, organization and culture is the foundation of NMS. The system is based on the delegation of responsibility to our legal subsidiaries and

business units. Corporate functions, such as finance, human resources, communication, IT, HESS, legal, sustainability, compliance and business development are directed from Group level. This safeguards a uniform standard and control structure, and Nammo Group has defined common requirements in the form of corporate directives that are mandatory for all parts of the organization. The directives address areas such as strategy and business planning, finance, risk management, organizational and employee development, HESS, compliance and corporate responsibility.

Controls and procedures

NMS is designed to provide reasonable assurance to Nammo's Group Management Team and the Board of

GOVERNANCE

Directors regarding the preparation and presentation of our financial statements. The management of Nammo AS is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed under the supervision of the Group Chief Executive Officer (CEO) and the Group Chief Financial Officer (CFO). The accounting principles applied by the Group follow the Norwegian Generally Accepted Accounting Principles (NGAAP).

In the finance area, there are directives for budgeting and forecasting, financial reporting and treasury management. As an integral part of the directives in the financial area, Nammo has implemented an accounting manual that regulates the accounting treatments for all material accounting processes. This work has also resulted in an internal control handbook that states the minimum requirements for the internal control activities to be performed in the respective financial areas.

Annual General Meeting of Shareholders

The shareholders of Nammo AS have the ultimate authority through the Annual General Meeting. The shareholders are Patria Oyj and the Norwegian State, represented by the Ministry of Trade, Industry and

Fisheries. The Annual General Meeting is normally held in the second quarter each year. The shareholders' agreement outlines the number of representatives on the Board of Directors for each of the owners, and guidelines for the election of the Chairman of the Board. The Annual General Meeting formally appoints the Board members.

The Annual General Meeting approves The Board of Directors' Report and the financial statements based on the Norwegian requirements, including the dividend proposed by the Board of Directors. The Annual General Meeting also appoints the Board of Directors and the external auditors and determines the auditor's remuneration. In addition, the Annual General Meeting handles all other matters listed in the notice convening the meeting.

Board of Directors Appointments

The Board of Directors (BoD) of Nammo AS consists of six to eight directors in accordance with the shareholders' agreement: three from each owner, and two directors representing the employees. Nammo's owners, the Norwegian Ministry of Trade, Industry and Fisheries and the Finnish company Patria Oyj, nominate three board members each, with the positions of Chairman and Vice Chairman alternating annually between the two owners.

The General Assembly elects the Chairman and the Vice Chairman. The Board also has two employee representatives. The employee representatives are elected by the employees in each country in accordance with local procedures. The employees may also nominate one additional observer. The BoD meets regularly with a minimum of four meetings per year. The BoD appoints the Group CEO, and supervises the daily management carried out by the Group CEO.

The President and CEO

The President and CEO constitute a formal corporate body in accordance with Norwegian Limited Liability Companies Act (Aksjeloven). The CEO is responsible for the day-to-day management of the Group. The CEO's responsibility is further outlined in the shareholders' agreement. The CEO governs the operation through the internally established corporate directives described above, current corporate policies, management meetings and business reviews.

From 1st of January 2022 the Management Team consist of the CEO, the CFO, Senior Vice President (SVP) Business Development, SVP Legal and Regulatory Affairs, SVP Sustainability and Compliance, SVP Communication,

GOVERNANCE

the President of Nammo Inc, the four EVP's of the business units Commercial Ammunition (CA), Large Caliber Systems (LCS), Small and Medium Caliber Ammunition (SMCA) and Aerospace Propulsion (AP).

The Group Management Team ensures Group level functions to safeguard central control and leadership within Nammo.

Management meetings are held approximately eight times per year and are called by the CEO, or more often when needed. These meetings focus on monitoring the status of operations and key performance indicators. The market situation is also addressed, as well as health, environment, safety and security indicators, compliance, human resource issues and sustainability. The Group CEO conducts individual business review meetings with the business units five times a year. These meetings are a vehicle for scrutiny of the business units' performance relative to budgets and targets. Other subjects covered in these reviews are the progress within people, organization, compliance, risk management, operational issues, strategic issues and sustainability.

The principles applying to remuneration of executive management are set by the BoD, and these are described in Note 3 to the financial statements presented in the 2021 Annual Report.

Board of Directors Processes

In accordance with the Norwegian Limited Liability Companies Act (Aksjeloven), the BoD exercises the overall governance of the company, including ensuring that appropriate management and control systems are in place. In addition to appointing the CEO and supervising the daily management carried out by the CEO, the BoD approves:

- The annual budget
- Group-wide principles
- Group strategy
- Investments/divestments above a designated financial threshold.
- Material organizational changes
- The BoD has established two committees to prepare reviews and decisions by the BoD:
 - Risk, Audit and Compliance Committee
 - Human Resources and Compensation Committee

The Risk, Audit and Compliance Committee (RACC) is a committee of the BoD that assists and makes recommendations to the BoD in reviewing financial reporting, internal controls, compliance and risk management systems, external auditing matters and business ethics compliance matters. The RACC also

oversees compliance related to the following defined areas managed by the Nammo Group SVP Sustainability and Compliance and SVP Legal and Regulatory Affairs: anti-bribery and corruption, export control and trade regulations, sustainability and responsible business conduct.

The HR and Compensation Committee (HRCC) is a committee of the Board that supports the Board in reviewing matters concerning human resources and compensation in the Nammo Group. Topics the committee addresses are: succession planning, talent development, compensation policy and guidelines for top management and pension issues.

Annually, the BoD conducts a self-evaluation. The key findings from the evaluation are communicated to the shareholders. The BoD remuneration is described in Note 4 to the financial statements presented in the 2021 Annual Report.

INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE

Our internal control and compliance processes reduce the risks faced by the company and ensure efficient and sustainable utilization of resources. Nammo's internal control, compliance and risk management system encompasses its leadership culture, vision and values, Code of Conduct, risk management, reporting and control mechanisms.

Internal control

Internal control forms a crucial part of any management system. Management involves determining what is to be achieved and providing the right guidance. Internal controls need to operate effectively throughout the value chain in order to ensure that the company reaches its strategic goals, while complying with all regulatory requirements.

Processes performed by Nammo employees at all levels include internal control mechanisms. Guiding principles, processes and tasks are all examples of internal controls. Securing quality reporting to both internal and external stakeholders in accordance with relevant legal and regulatory frameworks is also a vital function of internal control mechanisms.

Risk management

Risk management involves identifying, assessing and controlling risks that may prevent the Group from attaining its goals, or cause damage to Nammo's employees, values, brands and reputation. A sound risk management process and culture will improve strategic decision making, reduce financial uncertainty, protect the Group's brands and reputation, and allow us to recognize opportunities.

Risks and opportunities related to Nammo's business operations are identified during the annual strategy process. Operational risks and opportunities are addressed by the responsible corporate function, business unit or legal entity as appropriate. The corporate functions are responsible for the preparation and maintenance of

requirements through policies and directives and requirements for the verification of these. Responsible corporate functions communicate regulatory changes requiring amendments to Nammo Group policies and directives to the Board of Directors, the Risk, Audit and Compliance Committee, and the Group Management Team.

Compliance

Nammo emphasizes adherence to policies, directives and relevant laws and regulations – and this is managed through our compliance processes.

Financial compliance within Nammo is handled by the corporate finance department, determining the accounting and reporting principles and monitoring of the business

INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE

activities in the Group, ensuring reliable, relevant and adequate financial information and control. The finance function is also responsible for ensuring the adequate handling of cases concerning risk management in Nammo.

Nammo’s compliance program is managed by the SVP Sustainability & Compliance with identified compliance champions at each Nammo legal entity to assist in implementing and monitoring local compliance processes. The SVP S&C operates in accordance with its role description and carries out the responsibilities as defined in the compliance program. Compliance is integrated in Nammo management system directives, process descriptions, procedures and support tools.

The compliance program is evaluated and assessed by a third party every three years and the results are reported to the Group Management Team and the Board of Directors. The compliance program was last evaluated in 2018, but an updated review is underway in Q1 2022.

Grievance mechanism

All reports of raised concerns are handled confidentially through our reporting channel, SpeakUp, which can be accessed by phone or online, this is well described in the manual “Do the Right Thing”. The digital service is managed

by a third party, which facilitates the ‘dialogue’ between the company and the reporting employee. Employees can report in their native language and the system is available 24/7. Nammo does not have access to an individual’s identity if they choose to report their concerns anonymously. The system is encrypted and Privacy and GDPR compliant and can be used by all employees outside the US. A similar system was implemented in the US at the end of 2020 and has been operational during 2021. The US reporting channel, Ethicspoint, has very similar functionality to the European system. Additionally, it is compliant with the requirements of the Nammo Special Security Agreement (SSA) entities.

Third parties who would like to report concerns about Nammo are welcome to do so through ethics@nammo.com. This is communicated on the relevant page at the Nammo website and in relevant documents shared with our suppliers.



INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE

Reported concerns

All reports submitted through the grievance mechanism, SpeakUp, are forwarded to the company’s SVP S&C, who evaluates them in cooperation with the Ethics and Integrity Council (EIC). Reports submitted through Ethicspoint in the US are forwarded to the US Ethics and Compliance Director, who evaluates them in cooperation with the Ethics Incident Investigation Group (I3G). Nammo does not tolerate retaliation against any employee who raises a concern in good faith.

In 2021, there were 27 reported concerns compared to 36 in 2020. Reported concerns originated in the USA (19), Norway (4), Sweden (2), Finland (1), Germany (1). The majority of the concerns were in the category of Other Misconduct and Human Resources issues, and were handled through the human resources department in the local line organization according to company procedure. Seven of 27 reported concerns came through the SpeakUp/Ethicspoint channel compared to 11 in 2020. None of the cases reported internally led to any investigation requiring engaging external investigators. One case was reported from an external party and has been thoroughly investigated by the internal investigation team according to the established investigation plan. The investigation was

concluded with no findings of any legal breach but uncovered the need for increased employee training of our internal processes and procedures as risk mitigation factors.

Risk mitigation

We believe that locating all of our production facilities within the EU, Norway, Switzerland, UK and the US is a risk mitigation factor in itself.

All of Nammo’s production facilities have internal procedures in place to protect our technologies and processes and assure compliance with national and international export control regulations. Each legal entity has in-house experts to handle local rules and regulations.

Understanding export control regimes is essential to keep our business going. We work continuously to raise awareness among our employees through regular export control training and process improvement.

Total number of reported cases and method of reporting



20
Line Organization

7
SpeakUp/Ethicspoint

BUSINESS INTEGRITY



Nammo aspires to develop and secure long-term sustainable business for our customers and employees. We believe that ensuring business integrity within the company and in our value chain is key to succeeding.

Nammo is committed to conduct business with efficiency, integrity and in line with the highest ethical standards.

Our goal is to ensure that our IT infrastructure utilizes the highest technological standards to protect our operations against external risks.

Governing responsible business and sustainability documents

Our vision of “Securing the Future” guides how we conduct our business and informs our values of Dedication, Precision and Care. Key to our license to operate is conducting business within the legal framework of the countries in which we operate. In addition to this we are committed to complying with all applicable laws and regulations and acting in an ethical, sustainable and responsible manner.

This is why we published a brand new Code of Conduct in 2021. The Code sets our standards on business integrity, the environment and people. The Code includes a stronger focus on how together we shall secure Nammo’s products, assets and information. A culture of compliance is fundamental to protect our company values and our reputation in the market.

Nammo’s Code of Conduct outlines the overarching ethical principles that govern decisions and behavior for all employees and third parties acting on behalf of our company. The Code of Conduct is based on regulations in line with the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act 2010.

The SVP Sustainability & Compliance is responsible for keeping Nammo’s Code of Conduct up to date. Nammo’s Ethics and Integrity Council reviews the Code before a final

approval by the Board of Directors. The Code of Conduct was last revised and updated at the end of 2020 and is now available in seven languages. It was distributed to all employees during 2021 including an animated training module.

Onboarding

Employees of newly acquired companies must participate in a program introducing Nammo’s company culture, the Code of Conduct and a workshop that includes the discussion of several ethical dilemmas. This training should be completed within the first 100 days after the acquisition and is a part of our general risk management process when acquiring new companies. Nammo did not make any acquisitions in 2021.

BUSINESS INTEGRITY

General onboarding of new employees follows an established onboarding process according to our People Policy. The process contains an introduction to the company's most relevant documents such as the Code of Conduct and the guidelines for reporting concerns, depending on the position there is also different learning modules that the employee must follow.

Anti-bribery and corruption controls

Nammo has zero tolerance for corruption. We are committed to the United Nations Global Compact's ten principles and follow the OECD guidelines for multinational enterprises.

As our main market segments are sales to the national authorities within EU and NATO countries, we are less exposed to corruption than the industry as a whole. The majority of our business (92 percent) comes from the EU, the Nordic countries, and North America – markets which represent relatively low levels of corruption risk.

The table on the right shows the countries in which we operate and how they rank on the 2021 Transparency International Corruption Perception Index (CPI) among 180 countries.

The remaining 8 percent of our business (i.e. excluding the EU, Norway, Switzerland, UK and North America) is

comprised of markets in Asia, Oceania, and the Middle East, which include a number of countries with equally low levels of corruption and strict regulations (e.g. Japan and Australia). Remaining markets in countries with medium to high levels of corruption risk necessitates an enhanced due diligence process in addition to the regular sales management process for onboarding of partners and customers.

Transparency International's (TI) Defence Companies Index (DCI) 2021, assessed the levels of public commitment to anti-corruption and transparency in the corporate policies and procedures of 134 of the world's largest defense companies.

The assessment score ranges from A – Very High down to F – Very Low. Nammo received a rating of C – Moderate. Thirty-seven companies out of the 134 scored between A–C. For Nammo the results of the DC Index have been a useful guide to define the areas where we can improve and become more transparent. Since the closure of the evaluation process by TI in mid -2020 we established our brand new Code of Conduct and several new supporting polices, which all addresses the areas of the Index where our score was low.

Nammo was not subject to any investigations, fines or sanctions in 2021 relating to incidents of corruption, anti-competitive behavior or ethical breach of laws or regulations.

CPI Scores in Countries of Operation

	CPI SCORE	RANK
Sweden	85	4
Finland	88	1
Switzerland	84	7
Norway	85	4
Germany	80	10
UK	78	11
Ireland	74	13
USA	67	27
Spain	61	34

CPI Score 0=highly corrupt, whereas 100=very clean. 2021 Transparency International Corruption Perception Index (CPI).

BUSINESS INTEGRITY

Training

During 2021, we have increased the level of awareness, knowledge and competence of our employees through regular training and monthly nano learnings. We established a new training module on human rights which will be published to the relevant risk Group of employees during Q1 2022.

To ensure that we maintain high standards in relation to anti-bribery and corruption, Nammo has an established training program comprised of three modules: monthly awareness by e-learning, dilemma training, and proactive “red flag” fraud training. The training status is reported monthly to the Board of Directors, and the Group Management Team

E-learning

In 2021, 1,849 (out of 2,700) employees were invited to complete the business integrity e-learning modules, and the completion rate was 89 percent, one percent better than in 2020. The e-learning modules are also a requirement for all external sales representatives and the external Board members. As of 2021, Nammo’s external Board members had a 91 percent completion rate for business integrity e-learning training.

In 2021, we surveyed employees to gauge their perceptions

on ethical behavior and IT security within the company. Based on the feedback from the survey, it appears that there is a high level of awareness of ethical standards and reporting processes. High scores for ethical behavior were recorded across the survey, indicating that our business integrity training is effective.

Dilemma Training

Dilemma training is performed as workshop training for middle management employees in high-risk positions. Due to Covid-19 we decided to split our annual Forum on Contracts, Procurement and Compliance into three digital training sessions as a substitute for the regular dilemma training. The main subjects in 2021 were:

- 1) Third party risk management
- 2) Contracting and negotiations
- 3) Export and trade control

The three sessions each involved around 100 employees representing all Nammo entities with key people from sales and business development, contracting, procurement, compliance and general managers. Although the pandemic resulted in a reduced number of physical dilemma training modules, we were able to benefit from digital training modules that allowed for a broader reach of key personnel.

Red Flag Training

During the year we managed to perform one on-site red flag training in Norway. The red flag training is a tailor-made and thorough learning module in how to avoid fraud and corruption at a local entity.

Export control

Export control regulations are intended to ensure that defense-related products, technology and services are only exported in accordance with a country’s security and defense policy, and that exports of dual-use items do not contribute to the proliferation of weapons of mass destruction (nuclear, chemical, and biological weapons) or their means of delivery.

Every country has its own national export control regime. They are all based on the same principles with a few exceptions with regards to geopolitical relations. Common to all is the requirement of an export license approved by the national authorities when exporting defense products, technology or services for military purposes.

There is an international market for illegal procurement of technology for military use. Nammo emphasizes awareness with regard to due diligence on how business is performed and what type of products are sold to whom and in line with which regulations.

BUSINESS INTEGRITY

Export Control Training

To support our employees in being aware of potential breaches of export controls, we provide training on this issue. Each legal entity is responsible for providing appropriate training of national export control regulations. In 2021, around 230 employees received training on their country’s national export control regulations as well as a more in-depth training about the US International Traffic in Arms Regulation (ITAR) and Export Administration Regulation (EAR) including Defense Federal Acquisition Regulation Supplement (DFARS) to the Federal Acquisition Regulations (FAR). Nammo entities who are contracting partners with the US government or Prime industries must also flow down contracting requirements by providing informational updates/sessions on ITAR & EAR and FAR/DFARS to their relevant suppliers.

During 2021, Nammo uncovered and self-disclosed 4 deviations in trade compliance. None of these deviations resulted in fines or legal proceedings.

Labor and human rights

Nammo is committed to respecting and protecting human rights in all its operations. We support and respect the protection of internationally proclaimed human rights, including the International Bill of Human Rights, the core

International Labor Organization (ILO) Conventions and the UN Guiding Principles on Business and Human Rights (UNGPR) and we implemented a human rights policy in 2021. Every entity at Nammo is responsible for ensuring that the Group does not violate human rights in any of its business operations, as well as being aware of its corporate social responsibility in the local community.

Nammo supports equal opportunities and rights and prohibits discrimination on the grounds of gender, ethnicity, national origin, skin color, language, sexual orientation, marital status, religion, philosophy of life, and age. We do not tolerate any form of harassment.

We strongly support freedom of association and collective bargaining as per the ILO standard, and 61 percent of Nammo’s workforce is covered by collective bargaining agreements (the figure is impacted by the number of employees in the US where such collective bargaining agreements are not as common as they are in Europe. All employees are covered by such agreements where they exist, regardless of whether or not an employee is a union member (with the exception of the executive management team). We deem there to be a low risk of violation when it comes to Nammo’s own operations. However, we consider there to be a higher risk in our supply chain.

Saliency mapping

During 2021 we conducted our first mapping of salient human rights issues, this also serves as the first step to ensuring that Nammo will comply with the Norwegian Transparency Law that comes into force in July 2022. The law requires companies to report on their human rights due diligence processes, including the actions taken to reduce adverse human rights impacts, and their effectiveness. We consider ourselves to be well placed to comply with the law.

Salient issues are defined by the UN Guiding Principles on Business and Human Rights as those issues in which a company is most likely to severely negatively impact people, and the identification of salient issues provides a framework for which human rights impacts a company should prioritize.

The mapping process was carried out by an independent third party and included interviews with internal and external stakeholders. Once the mapping process was completed, Nammo confirmed the following list of salient human rights issues:

- Selling to high-risk countries
- Supply chain management
- Diversity
- The transport chain
- Corruption

BUSINESS INTEGRITY

In the coming year we will seek to better understand our adverse impacts in these areas and develop appropriate procedures to mitigate any adverse impacts. We will report on the actions we take in line with the Norwegian Transparency Law and will review our salient issues regularly to ensure that we are prioritizing the most important areas.

Cybersecurity

We continuously strive to reduce cybersecurity risk. Our IT and digital strategies outline how we are improving technical security, limiting risk and raising the level of awareness amongst our employees.

Cybersecurity threats pose financial, reputational, physical and societal consequences. Appropriate IT security measures are critical to safeguarding vital product information generated and stored by the Nammo Group, our customers and our suppliers. Like most defense and aerospace companies, Nammo is subject to a rapidly increasing number of cyberattacks. Such security incidents are related to fraud, sabotage, extortion or attempts to retrieve proprietary information.

Proprietary information is one of Nammo's most valuable assets. It encapsulates the knowledge, experience and

intellectual property we have developed over time. These important assets are the foundation for Nammo as a knowledge-based company, and they are of equal importance to our customers and partners.

Nammo measures and certifies its internal security systems using recognized standards including ISO 27001, UK Cyber Essentials and US Cybersecurity Maturity Model Certification. Nammo has not identified any data breaches in 2021.

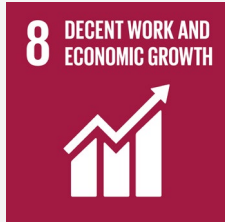
Innovation continuously narrows the gap between digital and physical systems. A firm grip on cybersecurity is more important than ever to prevent virtual attacks from affecting real world values like environment, equipment and personnel. The gap between work and personal life is continuously diminishing. Rigorous training of employees is implemented to raise their awareness of cybersecurity risks and to help them avoid becoming victims of fraud and extortion.

Nammo complies with the relevant IT security and privacy regulations in all countries where we are present.



Photo: iStockphoto

VALUE CHAIN INTEGRITY



At Nammo, value chain integrity means that all our business partners operate in an ethical manner that safeguards human and labor rights, while protecting the environment.

Nammo is committed to holding suppliers and business partners to the highest standards. Our goal is to facilitate responsible business conduct, and being a collaborative partner in reducing sustainability risk and promoting understanding of and respect for ESG issues.

Supply chain control

Our business partners include joint-venture partners, suppliers, sub-contractors, consultants, sales representatives, distributors and customers. We are convinced that high value chain integrity produces high-quality products and services, thereby increasing our competitiveness.

The supply chain consists of suppliers of raw materials and components, sub-contractors, and providers of various services such as transportation and freight forwarding,

maintenance and consulting. As a general rule, local suppliers are to be sourced if competitive. Most of our suppliers are located in Europe and North America, with a few suppliers in Asia and South Africa.

We have more than 7,000 registered suppliers, of which approximately 700 are strategic. A strategic supplier is generally defined as a supplier either pre-qualified by the end-customer or a supplier who sells goods with high quality and/or high technological content at competitive prices.

During 2021, we established a third-party risk management process as part of the revised Nammo management system. As part of the new process, a screening tool is used to assess the company’s due diligence and onboarding of selected third-party categories.

In the coming year we will continue the introduction and strengthening of ESG screening as part of the supply chain audit. Due to the pandemic, few supplier audits were carried out in 2021 and there was a low rate of new onboarded suppliers.

VALUE CHAIN INTEGRITY

Supplier Conduct Principles

Nammo’s Code of Conduct and Supplier Conduct Principles state our requirements and expectations for business practices, personal conduct and working conditions in our supply chain. The expectations are founded on the UN Global Compact’s Ten Principles and International Labour Organization’s (ILO) fundamental conventions. All our suppliers are expected to comply with the Supplier Conduct Principles and with applicable national and international laws.

Our Supplier Conduct Principles address the supplier’s obligation to conduct business in compliance with modern slavery and human trafficking legislation. Environmental requirements are also specified, committing our suppliers to minimize their negative environmental impact, continuously improve their environmental performance, and prevent and mitigate environmental and health-related risks.

Third-party due diligence

We have a risk-based due diligence process in the selection and use of our suppliers. The degree of due diligence depends on the categorized risk of supplier, the country or countries involved, the size and nature of the transaction, and the historical relationship with the business partner.

During 2021, nearly all strategic suppliers were screened

against several types of predefined risks in addition to social and environmental criteria and are now monitored continuously.

The third parties screened and monitored were categorized as 10 percent high risk and 90 percent low and medium. A small number of entities did not proceed to onboarding.

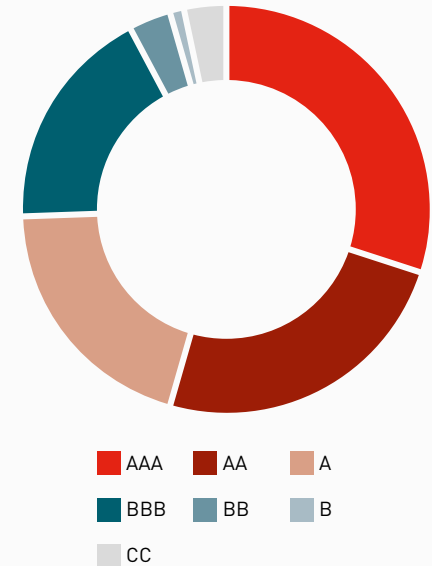
The score on ESG from RepRisk was available for 20 percent of all strategic suppliers and a majority of them got a very good score of ESG rated between BBB to AAA.

Each of Nammo’s legal entities and business units are responsible for undertaking appropriate due diligence for their suppliers according to the Nammo management system’s procurement process.

During 2021, Nammo had 36 sales representatives representing the following regions: Europe, North America, South America, South East Asia, Middle East and South Africa. All sales representatives undergo the company’s due diligence procedure and all representatives are continuously monitored and comprehensively reevaluated every two years.

It is our responsibility to always know who we are doing business with through background screening of all direct and high-risk suppliers and conducting the relevant due diligence of our third parties.

Reputational ESG Risk Score for selected supplier sample



RepRisk is a leading business intelligence provider specialized in dynamic ESG risk analytics and metrics. The RepRisk scores measure and quantify a company’s risk exposure related to ESG issues. The RepRisk Index captures and quantifies reputational risk exposure and the rating provides a metric derived from the RRI taking into account country and sector specific factors to facilitate benchmarking companies between each other. The RepRisk score goes from AAA (Very low risk) to D (Very high risk).

03

Board of Directors' Report

Nammo

Nammo

Nammo



BOARD OF DIRECTORS' REPORT 2021

In 2021, Nammo Group continued to build on its positive market momentum and internal improvement programs to deliver record-high revenues, net profit, and order backlog, despite challenging business conditions. The results illustrate the strength of the Group's customer position, products and brand, and its ability to deliver in adverse circumstances.

The outlook for Nammo, with its 2 700 employees in 12 countries and headquarters in Raufoss, Norway, remains solid with a strong product development pipeline and order backlog. However, Nammo remains vigilant with respect to possible pandemic-related challenges affecting supply chains, operations and raw materials prices ahead. The Group will focus on risk mitigation efforts, continuous improvements and advancing its investments in technologies and production methods to maintain its leading competitive position going forward.

Group revenues rose 16 percent to NOK 6.98 billion in 2021, due to brisk US commercial ammunition sales, and security of supply contracts to Nordic customers. Net income after tax amounted to NOK 459 million. The Board of Directors will propose an ordinary dividend of NOK 229.6 million (NOK 211.3 million) at the Annual General Meeting. The order reserve stood at a record high NOK 10.31 billion at year-end, a clear recognition of Nammo's established market position.

GENERAL COMMENTS

Nammo's organizational and legal structure ensured operational flexibility and effectiveness in responding to local conditions throughout the pandemic. This has been effective as the Group experienced no COVID-19 related production interruptions, and maintained an overall on-time delivery rate of 94.5 percent to military customers. Also, sick-leave at the Group remained stable at 4.1 percent during the year. HESS performance in 2021 was satisfactory,

but the Group continued to experience a disproportionate number of Lost Time Injuries (LTIs) at a few sites. During 2022, the three sites that represented over 50 percent of the total number of LTIs will receive increased support from Nammo AS through a combination of virtual and physical site visits.

Despite limited ability for travel and physical meetings, Nammo continued to develop and benefit from its close relationships with key customers. The Group increased deliveries of ammunition under Security of Supply contracts to Norway and Finland. In addition, Nammo received its first major US production contract for its M72 Fire From Enclosure (FFE) shoulder-fired weapon system, which is also the Group's largest ever framework agreement with a ceiling of USD 498 million. Nammo was also selected for further development of the US Ramjet Artillery round after demonstrating market-leading technology. This technology has promising strategic implications and business potential for the Group on both sides of the Atlantic.

STRATEGY FOR PROFITABLE GROWTH

Nammo maintains its position as the largest independent provider of specialty ammunition and rocket motors for both military and civilian customers in the Western world. The Group's strategy stands firm: to achieve sustainable profitable growth in the US, in Europe and the Nordic markets.

The past years have reaffirmed Nammo's strategic direction, and generated a 38 percent increase in revenues, 111 percent increase in profit before tax and 39 percent increase in order backlog, since 2019.

The Group's priority ahead is to build upon the profitability and efficiency improvements and maintain a level of R&D spending required for the Group to bolster its position as a high-end provider to some of the world's most demanding government customers. Nammo will continue to keep a keen focus on cost control and operational improvements, supported by strong processes and systems with a Group-wide collaborative culture of continuous improvements across business areas and locations.

OPERATIONS

The Group's manufacturing operations handled the challenges related to the pandemic very well, also during 2021. All factories, most of them with very heavy workloads, have been running un-interrupted through the year despite COVID-19 imposed challenges.

Overall, the greatest operational challenges in 2021 have been transportation and the ability to deliver finished

goods, due to lockdowns restricting the availability of cargo carriers and limiting the ability of some customers to travel to Nammo's facilities. The challenges were largely mitigated by the efforts of Nammo's supply chain and logistics managers, as well as measures taken by its suppliers and customers. Towards the end of the year, supplies of some critical raw materials and components have become increasingly difficult to obtain. This challenge will continue well into 2022.

Mid-year, Nammo Raufoss experienced technical challenges in the production of one of the company's most important rocket motor programs that caused delivery delays. The manufacturing process issues were resolved in the best possible way through close cooperation with the customer and deliveries restarted at the end of the year.

Major customer milestones in 2021 include the 5-year contract for the M72 FFE shoulder-fired system with the US government. Nammo has also continued to strengthen its position as the primary provider of range extension technologies for US artillery systems and programs, with multiple programs in advanced stages of development.

Additionally, 2021 saw continued strong developments in the US market for the Group's commercial small caliber ammunition and ammunition components.

The largest European customer milestones have been the aforementioned contracts and agreements with the Nordic countries, Norway, Sweden and Finland. Efforts to certify Nammo's products for the German market are also progressing.

During 2021, Nammo continued its investments in facilities and infrastructure in the United States. In Mesa, Arizona, constructions of new facilities to support US-based production of range extension components for US artillery systems and for production of the new M72 FFE have progressed well.

Nammo aims to deliver world-leading products supported by world-leading processes and competence. In support of these objectives, the Group has conducted an overhaul of its governance, revised its Code of Conduct, and started implementation of the new Nammo Management System (NMS). NMS was rolled out in all European facilities in 2021 and will be implemented in all US operations in the first half of 2022.

As Nammo continues to grow, the defined common processes in NMS will reduce risk of loss in operations, and support effective decision-making and operational processes throughout the Group with necessary control.

FINANCIAL STATEMENTS

Pursuant to Section 3–3a of the Norwegian Accounting Act, the Board of Directors confirms that the financial statements have been prepared under the assumption of a going concern as of the date of the financial statements. The Board confirms that the going concern assumption is valid. The Nammo Group's annual accounts have been prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles (N GAAP). The accounting policies used by the Group have also been

applied by Nammo AS and all its subsidiaries. For further information, please refer to the financial statements and note disclosures.

The Board confirms that the Directors' report give a true and fair view of the Group's development, operations and results for the year.

Operating profit and profitability

For 2021, the Group delivered an all-time high revenue of NOK 6.98 billion (6.04) and profit before tax of NOK 644 million (548). The profitability improvements of 2021 are the result of structured continuous improvement efforts over the latest years, as well as the spike in demand for small caliber commercial ammunition in the US, combined with the high revenues in the Nordics, driven by the Security of Supply contracts with Norway and Finland.

In combination, these have allowed Nammo to generate a 14.8 percent Return on Equity (14.6 percent), Return on Capital Employed 17.9 percent (13.9 percent) and a substantial increase in company value due to increased profitability, order backlog and a positive future outlook.

Cash flow and liquidity

Nammo's net cash flow from operating activities in 2021 was NOK 1 399 million (846) while the net cash outflow from investment activities was NOK 393 million (525). The main drivers for the decrease in cash outflow from investment activities in 2021, are the acquisitions of Nammo Perry Inc. and the purchase of the remainder of MAC LLC in 2020.

Cash outflow related to ordinary purchase of fixed assets was NOK 395 million (305 million). The 2021 net cash outflow from financing activities amounted to NOK 556 million compared to a positive cash flow of NOK 110 million in 2020. The key drivers for the 2021 cash outflow include the Group refinancing executed in 2021, resulting in a net down-payment on long term loans, as well as a dividend payment to shareholders of NOK 211.3 million. The net cash position was NOK 815 million at 31 December 2021 (365). Nammo had unused credit facilities of NOK 1 400 million (1 388) at 31 December 2021.

Based on the cash flow performance in 2021, cash available at year-end, as well as the available unused credit facilities, Nammo's financial flexibility is considered good. Continued focus on working capital efficiency and careful prioritization of investment requirements remain key priorities going forward.

Balance sheet

The total assets of the Nammo Group amounted to NOK 7 024 million at the end of 2021 (7 106). Net working capital, excluding cash, was NOK 1 477 million (1 990), while equity was NOK 3 187 million (3 011). Total liabilities were NOK 3 838 million (4 095) and the equity ratio ended at 45.4 percent (42.4 percent). Return on equity was 14.8 percent (14.6 percent). Total interest-bearing debt to financial institutions amounted to NOK 1 201 million at 31 December 2021 (1 536).

RISK FACTORS

The continued COVID-19 pandemic has again underlined the inherent risks in Nammo's operations. The past couple of years have demonstrated how the impact of world events may vary significantly between countries and regions, and the need for continued flexible risk mitigation strategies.

Market risk

The operational and financial development of the Group is highly reliant on the overall development of military and commercial ammunition markets. The fact that Nammo operates through four business units, each within a number of different segments, and a wide range of products and locations is seen as an advantage, as it diversifies the risk over a broad platform of business activities. Nammo has manufacturing activities in nine different countries, each with its own export regulations with which Nammo is required to comply. Where export licenses are necessary to address a market, Nammo carries the risk that authorities might revoke these at any time, for reasons beyond Nammo's control, such as geopolitical changes or sanctions. Additionally, Nammo expects protectionism to increase due to increased focus on national job creation in the wake of the pandemic.

Operational risk

The Group's value creation consists mainly of products and systems of high technological complexity. Safety is a key

priority to Nammo, and the Group has established routines and procedures designed to minimize overall operational risk, particularly those related to the handling of explosives and other hazardous materials.

During the pandemic Nammo has seen increased risk of supply chain disruptions. Procedures have been implemented to secure deliveries of critical raw materials and key components from suppliers.

Financial risk

Nammo has established policies for financial risk management at both corporate and business unit levels. The following have been identified as the key financial risk areas for the Group:

Currency risk: Nammo's customer base is global, and currency fluctuations have a major impact on the Group's financial statements. In light of this, currency risk is monitored through internal risk matching and hedging in the market, using financial instruments to secure the calculated earnings on contracts and thereby reducing exposure to fluctuations.

Commodity price risk: Price volatility related to copper, steel and other raw materials can directly affect cost of goods sold and hence it can have an effect on the Group's reported operating results. Nammo handles this risk by entering into commodity hedges for significant purchase

transactions of metals. This is typically performed through back-to-back agreements with the applicable vendors.

Liquidity risk: Management of liquidity risk means maintaining sufficient cash and cash equivalents and having funding available through adequate committed credit facilities. Nammo maintains a high degree of financial flexibility through both of these.

Credit risk: Nammo's customers are mainly national defense ministries, armed forces and major companies in the defense and space industry in NATO and EU countries. The inherent credit risk is thus considered low. Credit risk is continuously monitored, and the risk associated with outstanding trade receivables is currently considered low.

Interest rate risk: Interest rate risk for the Nammo Group is monitored and assessed during the year. The main risk is related to long-term financing of the Group and is handled at corporate level. With the Group refinancing in 2021, Nammo has placed a bond in the market with a fixed interest rate for the seven-year duration. The interest rate risk is currently considered limited.

Reputational risk

Nammo's reputation is one of the company's most valuable assets. To protect the Group's reputation it is important to build a strong company culture from the inside.

Nammo has zero tolerance for corruption and runs training programs aimed at continuously strengthening the understanding of ethics and compliance within the company. During 2021, Nammo completed the implementation of the new Code of Conduct.

In order to maintain a strong reputation and the trust of the societies Nammo serves, the Group's products must always be developed and produced according to international laws and conventions.

Nammo's license to operate is dependent on each Group entity's compliance with strict national export regulations. Failure to do so represents a significant risk to the Group's reputation, and thereby its business. Nammo maintains its management systems to support the various quality and military standards, as well as regulatory and customer requirements. The integrated procedures and routines are essential risk mitigating factors, along with the due diligence processes of the supply chain.

In 2021, there were no direct actions caused by Nammo or any company practices known of that could be defined as reputational risk. Nammo did not detect any unacceptable actions by our employees, leaders or anyone that directly represents our business or has a relationship with our business. Nor did the company receive any report on employees or business leaders involved in unethical behavior towards customers or suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Nammo's primary social responsibility is to support and protect national and allied forces by developing and producing high-quality defense products.

The Group is committed to support global initiatives such as the UN Global Compact and abide by the OECD Guidelines for Multinational Enterprises, which means that Nammo is to operate in a manner that:

- protects the environment
- has zero tolerance of corruption
- combats modern slavery and child labor

Nammo requires compliance with human and labor rights in all operational sites and requires its business to maintain operational quality that prevents any negative effect on the local communities surrounding the facilities.

Nammo reports on sustainability in accordance with legal requirements (the Norwegian Accounting Act) and other industry recognized standards for material topics, such as the Global Reporting Initiative's (GRI) standard and the Sustainability Accounting Standards Board (SASB). The Group published its eight report on the UN Global Compact in 2021.

Priorities

During 2021, Nammo followed up the work on key performance indicators within the five identified areas material for its sustainability work. Nammo's approach to sustainable development is integrated in the Group

strategy and part of the processes described in the Nammo Management System.

A new third party risk management process has been established to strengthen the due diligence work of onboarding third parties during the procurement and sales processes.

A mapping of human rights risks has been completed and a response to this is the development of a corresponding training module for high-risk positions. The work to follow up human rights risks and the roll out of the training module will continue in 2022.

Sustainability is a journey and the organization requires time to learn and understand how to best integrate sustainability into its daily operations. During the past year, a digital Sustainability Summit was broadcasted to all sites and a Sustainability Award was added to the Group's annual awards program. Other efforts to promote sustainability awareness include internal communications content, the distribution of promotional items and a short film.

Ethics and anti-corruption

The new Code of Conduct together with a multi-language awareness training has been implemented at all legal entities.

2021 represented the second full year of operation for Nammo's grievance mechanism for its European employees (SpeakUp) and it was the first year for the US-based grievance mechanism (Ethicspoint).

The total number of incoming reports from both the line organization and from the two grievance mechanisms during 2021 was 27 (36). Seven of the 27 reported concerns were made through the new grievance mechanism. One of the reported concerns required further investigation, but closed by the end of the year without any major findings.

Nammo has a zero-tolerance policy for corruption and bribery. Regular training sessions for both Nammo's employees and third parties acting on behalf of the Group is the best risk mitigation strategy. Training for ethics and anti-corruption is divided into three different programs: web based e-learning, dilemma workshops for employees in high-risk positions, and tailor-made red flag training on fraud awareness and detection.

People

Nammo's People Policy aims to ensure equal opportunities and rights, as well as preventing discrimination on the grounds of gender, sexual orientation, gender identity, ethnicity, national origin, skin color, language, disabilities, religion, philosophy of life, age, care responsibilities and intersectional discrimination. This applies in particular to recruitment, career and competence development, equal pay for equal work, working conditions, work-life balance and work accommodation, though always balanced by the need to observe strict accordance with rules and regulations of relevant national security authorities. Our "People Guiding Principles" describe our commitment and expectations to all Nammo employees, including

Leadership, Workplace Behavior, Fair Employment Practices & Equal Opportunities and Reward.

Nammo Group had an average of 2 648 full-time equivalent employees during 2021.

In 2021, an analysis was carried out to assess the actual situation in Nammo AS with regard to gender equality and fulfillment of the requirements pursuant to the Norwegian Equality and Discrimination Act. 26.

State of gender equality

For the calculation of salary differences between men and women, Nammo has rated fixed salary and various supplements, bonuses and benefits for the financial year 2021. Nammo has also assessed equal work and work of equal value in the design of the job levels. The design of the job levels is based on existing job categories in the company and an assessment of which positions are included in the various levels. At the end of 2021, 31 percent of the employees in Nammo AS are female. Salary analysis for 2021, below the CEO-level (level 2 and 3), shows an average female salary of 103.3 percent compared to average salary for the male employees. CEO excluded from the analysis as no other employee has comparable responsibilities.

Nammo AS had no part-time employees or employees in temporary positions or any employees in maternity leave in the year.

Working environment

Nammo is committed to having a work environment that values diversity, is free from unlawful discrimination, harassment and is based on the principles of equal opportunity and affirmative action. This is set forth in the Group's Code of Conduct, which states that no person shall be discriminated against on any grounds. Further, the Code of Conduct provides guidelines for interaction with both internal and external stakeholders and describes the importance of Nammo's core values of Dedication, Precision and Care.

Nammo's employees are key to the Group's continued success. Through performance management processes Nammo aims to ensure that all employees know what is expected of them, and support them in acquiring the necessary skills, knowledge, values and experience to succeed. In addition, Nammo continues to develop and strengthen its leadership program "Nammo Academy" and its mentoring program going forward. The Group recruitment policy is to hire based on merit, regardless of background, conviction or orientation. Existing employees will have an opportunity to apply for vacancy/promotion opportunities whenever possible.

As a responsible employer, Nammo has in place policies to support a reasonable work-life balance, safety and overall a good working environment, including several family-friendly arrangements.

The policies follow the principles of equality and

diversity with fair treatment of all employees and no tolerance for any form of harassment at the work place. The Group believes that a diverse workforce contributes to improved productivity, performance and a healthy working environment. Grievance mechanisms are in place throughout the company, enabling employees at all levels to report concerns, anonymously if needed.

The Group has a low employee turnover rate compared to its peers. This is the result of the Nammo's initiatives to maintain and strengthen the good working environment and employee well-being even through the pandemic.

Women accounted for 27.2 percent of all Nammo Group employees at the end of 2021 (target of min. 27 percent), representing a 2.2 percent increase from the start of 2020. The Group has achieved this target without compromising on its recruitment policy to hire based on merit. The Group continues its efforts to encourage female employment. The positive development in increased female ratio also supports efforts to increase the number of women in leadership positions at all levels and increase the diversity of the workforce. The goal is for women to comprise 30 percent of Nammo's workforce by 2030. The female ratio in the executive leadership is above the Group target with 32 percent.

Nammo seeks to be a significant positive contributor to the local communities where its facilities are located. The Group therefore engages in local sponsorships in areas such as sports, science and culture, with a focus on children and youth.

Board and Management insurance

Nammo has an insurance in place for the Board members and the CEO for their potential liability towards the company or third parties. The insurance coverage is considered to be in line with the market for such insurances.

Health, Environment, Safety and Security (HESS)

HESS continues to be an important area of focus for the Nammo Group. Integrating occupational health and safety considerations into daily operations is critical to Nammo's ability to deliver products of the highest quality on schedule to its national and allied defense forces. Each year, Nammo reviews and updates its HESS policy and associated KPIs. Nammo is working to identify the conditions that can expose its employees to unnecessary hazards by involving them in the risk management and reporting process. Nammo's goal is to capture the "weak signals" represented by near-misses and hazardous conditions reports in order to avoid serious injury and material damage.

Enhanced hygiene routines, contact tracing and staggered shift start times have continued to be employed throughout 2021 to minimize the impact of COVID-19 in the workplace. As in 2020, no deaths resulted from COVID-19 infections to any Nammo Group employee.

Site assessments

In spite of COVID-19 travel restrictions, eight HESS site assessments were completed at Nammo facilities, with the

remaining assessments being completed via digital meeting platforms. Annual site assessments are conducted in accordance with a procedure and plan developed by the Nammo Group HESS director. All sites conduct their own internal HESS assessments in accordance with the Nammo Group procedure for HESS improvements and periodic assessments that is integrated within the Nammo Management System (NMS).

Activities and results

Overall performance in the HESS functional area for 2021 was satisfactory, particularly in light of the challenges presented by COVID-19. However, the total number of Lost Time Injuries (LTI) increased from 32 in 2020 to 38 in 2021. During 2021, the Nammo Group experienced no fatal injuries, but one Lost Time Injury (LTI) met the criteria established for Serious Injury/Fatalities when an employee suffered the partial amputation of a finger. Nammo will continue to ensure there is a close dialogue between site leadership and the operational staff to address near-miss and hazardous conditions reporting in order to avoid injuries. Significant LTIs and near-misses/hazardous conditions are shared throughout the Nammo Group via "Safety Flashes" to promote organizational learning.

During 2021, Nammo Group quarterly safety council meetings were initiated to review LTIs and near-misses as well as promote cross-site discussions. Several sites in the Nammo Group are disproportionately represented in the LTI indicator and will receive additional focus during 2022.

Sick absence increased only slightly from 3.8 percent in 2020 to 4.1 percent in 2021 as COVID-19 continued to affect all industries. The precautions put in place at its sites to minimize the spread of COVID-19 and the efforts of Nammo's staff to adhere to national/local guidelines were successful.

Environment

Nammo's business has a direct impact on the environment through production and testing of ordnance products and services, energy usage, water usage, waste stream management, and transportation. Most Nammo employees work at an operating location which is certified in accordance with the ISO 14001 standard for Environmental Management Systems.

Efforts to remediate historical pollution at the Nammo Mesa site in cooperation with the US Environmental Protection Agency (EPA) and Arizona Department of Environmental Quality (ADEQ) are continuing. The site is now preparing a comprehensive Conceptual Site Model that will guide future remediation efforts resulting from operations conducted at the Mesa site prior to Nammo's acquisition of Talley Defense Systems Inc. in 2007.

The primary contaminant of concern is ammonium perchlorate that has leached into groundwater at the location of the former water bore out site and the thermal treatment unit. Currently, a fluidized bed reactor is being used to remediate the location of the former water bore out and studies are underway to utilize in situ remediation via

perchlorate reducing microorganisms for both locations in the future.

Security

Maintaining physical security is imperative for the Group due to the nature of the products it manufactures and the information it handles. All sites routinely liaise with national security authorities to ensure that all Nammo Group sites are in compliance with regulatory requirements and that Nammo remains abreast of both existing and future threats. There have been no reports of major security violations during 2021.

The digitalization of Nammo continues to require increased focus on cybersecurity. Nammo seeks to reduce and limit its risk in an unpredictable and more complex threat landscape, where adversaries attempt to infiltrate company networks using increasingly sophisticated methods. In 2021, improvements were made to Nammo's technical security systems and employee awareness of IT security was raised through systematic e-learning training throughout the year, in line with its IT strategy. Nammo complies with security requirements like ISO 27001 and UK Cyber Essentials where customers require formal certification. Nammo did not identify any data breaches in 2021.

DISTRIBUTION OF DIVIDEND

At the Annual General Meeting the Board of Directors will propose a dividend payment of NOK 229.6 million for 2021. Assuming the proposed dividend, the profit for the year in the parent company Nammo AS of NOK 355.4 million will be allocated as follows; dividend NOK 229.6 million and other equity NOK 125.8 million.

The proposed dividend represents 50 percent of Nammo Group net profit for the year.

OUTLOOK FOR THE NAMMO Group

Nammo's future outlook is influenced by global developments and the impact of the pandemic, which will continue to be felt during the year and perhaps beyond, particularly with respect to supply chains and distribution.

Moreover, heightened global geopolitical tension and Russia's war in Ukraine may affect government spending priorities across Nammo's core product areas.

Nammo has strengthened its role in domestic security of supply for several of its core markets, but the Group remains an international company, with its long-term prospects closely linked to international partnerships between industry and governments.

The Group will therefore continue to pursue programs and investments, and support partnerships and opportunities on both sides of the Atlantic. It will continue to invest in both the domestic and collective security of supply of its core markets.

The United States remains a key market for the Group, and will account for a significant portion of Nammo's future growth. As the United States transitions to dealing with potential peer adversaries, it will likely lead to increased demand for the Group's technologies and products, such as rocket motors for long-range artillery and missiles.

Moreover, growth in the United States also enables the Group to develop the necessary products and scale to meet the long-term needs of its European customers, particularly the Nordic countries. Independently, these markets would not have sufficient funds and demand to support such developments.

Europe and North America are expected to remain Nammo's primary customers for the foreseeable future.

In line with previous years, 92 percent of Nammo's 2021 revenues were from these regions, with the United States representing 36 percent of the 2021 Group revenue.

Going forward, Nammo's strategy continue to emphasize growth within its core markets, along with continuous internal improvement efforts to support the necessary sustainable investments for such growth. The Board of Directors expresses its appreciation to all employees and customers for their commitment and dedication during the year. Nammo's prospects are good, and the improvement measures undertaken during 2021 will aid the Group as it seeks to secure the future for its customers, shareholders and employees.

Raufoss, 22 March 2022

Dag Schjerven
CHAIRMAN OF THE BOARD

Esa Rautalinko
VICE CHAIRMAN OF THE BOARD

Jan Skogseth
BOARD MEMBER

Cathrine Bjaarstad
BOARD MEMBER

Ville Jaakonsalo
BOARD MEMBER

Sirpa-Helena Sormunen
BOARD MEMBER

Marianne Stensrud
BOARD MEMBER

Petri Kontola
BOARD MEMBER

Morten Brandtzaeg
PRESIDENT & CEO

04

Nammo Group

Nammo

NAMMO GROUP

INCOME STATEMENT

(NOK 1 000)

	Notes	2021	2020
Revenue	1	6 977 526	6 035 646
Operating expenses			
Changes in stock of work in progress and finished goods		40 365	(123 445)
Changes in self-manufactured fixed assets		61	182
Cost of goods sold		(2 770 008)	(2 122 477)
Payroll expenses	3, 4, 13	(1 961 440)	(1 866 744)
Depreciation of tangible and intangible non-current assets	7, 8	(288 001)	(280 606)
Write down of non-current assets	7, 8	(68 793)	(1 228)
Other operating expenses		(1 254 757)	(1 077 043)
Total operating expenses		(6 302 573)	(5 471 361)
Operating result		674 953	564 285
Financial income and expenses			
Income from associates and joint ventures – equity method	6	(2 208)	11 371
Interest income		11 876	15 149
Other financial income	5	28 156	54 401
Interest expenses		(37 588)	(50 149)
Other financial expenses	5	(31 337)	(46 648)
Net financial income (expense)		(31 101)	(15 876)
Profit before tax		643 852	548 409
Income taxes	14	(184 822)	(125 896)
Profit (loss) for the year		459 030	422 513

NAMMO GROUP

BALANCE SHEET

(NOK 1 000)

Notes

As of 31.12.21

As of 31.12.20

ASSETS

Non-current assets

Intangible assets			
Deferred tax asset	14	59 504	85 056
Licenses, trademarks and other intangible assets	7	233 193	208 844
Research and development	7	180 375	238 283
Goodwill	7	133 462	168 727
Total intangible assets		606 534	700 910

Tangible assets			
Buildings	8	422 375	444 591
Land	8	50 749	52 131
Machines and equipment	8	774 779	829 798
Fixtures and fittings, tools, office machinery, etc.	8	108 077	84 568
Plant under construction	8	348 358	279 223
Total tangible assets		1 704 338	1 690 311

Financial fixed assets			
Shares in joint controlled companies	6	7 910	47 617
Other shares and participations	6	17 873	17 369
Pension assets	13	109 673	89 616
Other receivables	9	9 576	10 504
Total financial fixed assets		145 032	165 106

Total non-current assets		2 455 904	2 556 327
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Current assets

Inventory			
Raw materials		1 138 678	965 068
Work in progress		1 168 037	1 127 672
Finished goods		275 591	458 557
Total inventory		2 582 306	2 551 297

Receivables			
Accounts receivable	10	852 300	912 065
Other receivables	9	153 658	440 279
Advance payments to suppliers		165 245	280 503
Total receivables		1 171 203	1 632 847

Cash and cash equivalents	11	814 723	365 269
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Total current assets		4 568 232	4 549 413
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Total assets		7 024 136	7 105 740
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NAMMO GROUP

BALANCE SHEET

(NOK 1 000)

Notes

As of 31.12.21

As of 31.12.20

EQUITY AND LIABILITIES

Equity

Share capital	12	100 000	100 000
Other paid in capital	12	258 670	258 670
Other equity	12	2 827 911	2 652 070
Total equity		3 186 581	3 010 740

Liabilities

Non-current liabilities			
Pension liabilities	13	186 690	200 628
Deferred tax liabilities	14	49 708	27 123
Other provisions		1 528	1 560
Total non-current liabilities		237 926	229 311

Other non-current liabilities			
Liabilities to financial institutions	16	1 201 422	1 535 557
Other non-current liabilities		121 542	135 537
Total other non-current liabilities		1 322 964	1 671 094

Current liabilities			
Warranty provisions	15	130 430	93 303
Accounts payables		383 699	310 548
Current tax payables	14	74 418	75 752
Public duties		142 561	156 022
Dividend payable		229 600	211 300
Prepayments from customers		891 797	991 438
Other short-term liabilities		424 160	356 232
Total current liabilities		2 276 665	2 194 595

Total liabilities		3 837 555	4 095 000
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Total equity and liabilities		7 024 136	7 105 740
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Raufoss, 22 March 2022

Dag Schjerven
CHAIRMAN OF THE BOARD

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VICE CHAIRMAN OF THE BOARD

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Marianne Stensrud
BOARD MEMBER

Petri Kontola
BOARD MEMBER

Morten Brandtzaeg
PRESIDENT & CEO

NAMMO GROUP

CASH FLOW

(NOK 1 000)	2021	2020
Cash flow from operational activities		
Result before tax	643 852	548 409
Tax payments	(131 934)	(97 133)
Gain and loss on sale of fixed assets	413	(1 781)
Ordinary depreciations	288 001	280 606
Write-down fixed assets	68 793	1 228
Net interest cost	25 712	35 000
Changes in inventory	(44 378)	140 353
Changes regarding accounts receivables	35 303	(209 292)
Changes regarding accounts payables	78 395	(37 740)
Difference pension costs and paid pension premiums	(30 552)	(5 284)
Changes in other dispositions	464 782	191 494
Net cash flow from operational activities (a)	1 398 387	845 860
Cash flow from investment activities		
Sale of fixed assets	2 571	1 541
Purchase of fixed assets	(394 565)	(304 713)
Purchase of other long-term investments	(750)	(221 751)
Net cash flow from investment activities (b)	(392 744)	(524 923)
Cash flow from financing activities		
Payments received regarding new long-term loans	1 220 330	290 904
Installments on long-term loans	(1 539 507)	(49 534)
Net interest payments	(25 712)	(35 000)
Paid dividend	(211 300)	(96 500)
Net cash flow from financing activities (c)	(556 189)	109 870
Net changes in cash and bank accounts (a+b+c)	449 454	430 807
Cash and bank accounts as of 01.01.	365 269	(65 538)
Cash and bank accounts as of 31.12.	814 723	365 269

Total unused cash credits as of 31 December 2021 is NOK 1 400 million. See note 16.

NAMMO GROUP

CONSOLIDATED FINANCIAL STATEMENTS 2021

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NAMMO GROUP

ACCOUNTING POLICIES NAMMO GROUP

GENERAL

The Nammo Group consists of Nammo AS and its subsidiaries. Nammo AS is a public limited liability company (Aksjeselskap). Nammo AS headquarters are located in Raufoss, Norway.

The consolidated financial statements consist of the Group and its interests in associated companies and joint ventures.

The consolidated financial statements have been prepared in accordance with the Norwegian Accounting Act and the Norwegian General Accepted Accounting Principles.

BASIS OF CONSOLIDATION

The consolidated financial statements include Nammo AS and subsidiaries where Nammo AS, directly or indirectly have a controlling interest. Controlling interest is usually achieved when Nammo has more than 50 percent of voting rights. In some situations, de facto control of an entity may be achieved through contractual agreements. Subsidiaries that are acquired or sold during the year are included or excluded from consolidation when the Group achieves control or ceases to have control. All inter-company transactions and balances between Group companies are eliminated.

Minority interests of consolidated subsidiaries are identified separately from equity attributable to equityholders of Nammo AS. Minority interests consist of the amount of those interests at the acquisition date (see below) and the minority's share of changes in equity since the acquisition date.

FOREIGN CURRENCIES

The individual financial statements of a subsidiary are prepared in the company's functional currency, normally the currency of the country where the company is located. Nammo AS uses NOK as its functional currency, which is also used as the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements, the financial statements of foreign subsidiaries are translated to NOK using the exchange rates at

year-end for balance sheet items and yearly average exchange rates for income statement items. Translation gains and losses, including effects of exchange rate changes on transactions designated as hedges of net foreign investments, are included in shareholder's equity.

In individual subsidiaries, transactions in currencies other than the entity's functional currency are recorded at the exchange rate at the date of the transaction. Gains and losses arising on transactions, assets and liabilities other than the translation gains/losses, are recognized in the income statement, except for gains and losses on transactions designated and effective as hedge accounting.

To hedge the Group's currency exposure the Group enters into currency-based derivative financial instruments. The Group's accounting policies for such hedge contracts are explained in these accounting policies.

BUSINESS COMBINATIONS

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given and liabilities incurred or assumed, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under NRS 17, are recognized at their fair values at the acquisition date. If acquiring less than 100 percent of a company, the interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized at cost and then amortized according to the assessed economic lifetime.

Negative goodwill arising as part of a business combination is amortized periodically over 5 years.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for products provided in the normal course of business, net of discounts and sales related taxes. Revenue from the sale of products is recognized when all of the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the Group
- The costs incurred or to be incurred in respect of the transaction can be measured reliably

DIVIDENDS RECEIVED

Dividends from investments are recognized in the income statement when the Group has a right to receive the dividends.

INTEREST INCOME

Interest income is recognized in the income statement as it is accrued.

GOVERNMENT GRANTS

Government grants are recognized in the consolidated financial statement when the Group has reasonable assurance that it will receive them and comply with conditions attached to them.

Government grants that compensate the Group for expenses are recognized in the income statement as the expenses are incurred. Government grants that compensate the Group for the cost of an asset are recognized as a reduction to the total investment and thus also to the future depreciations of the asset.

NAMMO GROUP | ACCOUNTING POLICIES NAMMO GROUP

INCOME TAXES

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill that is not deductible for tax purposes.

Current and deferred taxes are recognized as expense or income in the income statement, except when they relate to items recognized directly in equity, in which case the tax is also recognized directly in equity.

In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of Nammo's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

INTANGIBLE ASSETS

Separately acquired intangible assets are recognized at cost at the time of acquisition. Intangible assets acquired as a result of contracts or legal rights or rights that can be separated from the acquired entity, are recognized at fair value.

Cost relating to significant development projects for new technologies, products, tooling etc., which is estimated to give future positive cash flow, is recognized as research and development costs in the balance sheet. All other research and development costs are expensed when incurred.

Intangible assets are amortized on a straight-line basis over their expected useful life. Capitalized R&D is amortized

over future deliveries of the applicable product/technology, classified as cost of goods sold in the profit and loss.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at historic cost less accumulated depreciation and any impairment loss.

Expenses in connection with ordinary maintenance and repairs are recognized in the income statement as they incur. Expenses incurred in connection with major replacements and renewals are capitalized and depreciated on a systematic basis.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful life.

Gain or loss due to sale or retirement of property, plant and equipment is calculated as the difference between sales proceeds and carrying value and is recognized in the income statement.

Interest is capitalized as part of the historical cost of major assets constructed.

ASSOCIATED COMPANIES

Associated companies are investments in companies where the Group has significant influence, but not control. Significant influence normally exists when the Group controls between 20 percent and 50 percent of the voting rights. The share of net income, assets and liabilities of associated companies are incorporated into the consolidated financial statements using the equity method of accounting.

JOINT VENTURES

A joint venture is a contractual arrangement whereby the Group and one or more parties undertake an economic activity that is subject to joint control, which is when the strategic and financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control. Accounting for participation in joint ventures is based on the equity method as described under the accounting principles for associated companies.

INVENTORY

Inventories comprise of finished goods, work in progress and raw materials. Finished goods refer to own produced products and goods purchased for resale. Work in progress are partly processed, unfinished products. Raw materials include materials purchased from external parties such as metals, chemicals, ammunition powder, explosives, acquired components etc.

Inventories are recorded at the lower of cost, using the first-in, first-out method (FIFO) and net realizable value. Net realizable value is estimated sales price reduced by costs of completion and other sales costs.

The cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. This include direct materials, direct labor, and an appropriate portion of production overhead, or the purchase price of the inventory.

IMPAIRMENT OF NON-CURRENT ASSETS

The Group assesses the carrying amount of tangible assets and identifiable intangible assets annually, or more frequently if events or changes in circumstances indicate that such carrying amounts may not be recoverable. Factors considered material by the Group trigger an impairment test.

These include:

- Significant underperformance relative to historical or projected future results, or
- significant changes in the manner of the Group's use of the assets or the strategy for the overall business, or
- Significant negative industry or economic trends

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell and value in use. When it is determined that the carrying amount of tangible assets and identifiable intangible assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, an impairment charge is measured based on discounted projected cash flows. An impairment loss is recognized to the extent that the carrying amount of an asset or a cash-generating

NAMMO GROUP | ACCOUNTING POLICIES NAMMO GROUP

unit exceeds its recoverable amount. Previously recognized impairment losses are reversed if the assumptions for impairment are no longer present.

DIVIDEND LIABILITY

A dividend liability is recognized based on the Board of Directors proposal to be approved by the annual General Meeting.

DEFINED BENEFIT PLANS

The Group's net obligation in respect of defined benefit plans are calculated separately for each plan, based on the legislation in the respective countries where Group companies have defined benefit plans. The amount is an estimation of future benefits that the employees have earned in return for their service in current and prior periods. The benefit is discounted to determine its present value, and the fair value of the plan assets and unvested past service cost is deducted. The discount rate is based on the risk free rate (interest rate on long term government bonds) and the recommendation from The Norwegian Accounting Standards Board (Norsk Regnskapsstiftelse), plus a risk premium. Qualified actuaries perform the calculations.

The actuarial gains or losses are recognized using a corridor. The corridor is defined as 10 percent of the highest of the defined benefit obligation (DBO) and total plan assets. The net actuarial gain or loss exceeding the corridor is amortized in the income statement over the estimated remaining period of service from the members in the plan.

DEFINED CONTRIBUTION PLANS

Contributions to defined contribution pension plans are recognized as an expense in the income statement when employees have rendered services entitling them to the contributions.

ONEROUS CONTRACTS

Present obligations arising under onerous contracts are recognized and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceeds the economic benefits expected to be received from it.

WARRANTIES

Provisions for warranties are recognized when the products or services are sold. This is done to meet future claims on already sold products and services. The provision is based on an assessment of the business Nammo operates in, historical information on actual warranty payments incurred, and the probability that claims will be made.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank deposits.

TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables and other short-term receivables are recognized at the lower of the transaction amount (historic cost) and the fair value at the time of reporting.

TRADE PAYABLES AND OTHER SHORT-TERM LIABILITIES

Trade payables are recognized at the higher of the transaction amount (historic cost) and the fair value at the time of reporting.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those recognized at fair value through the income statement, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at historic cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows.

INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognized initially at historic costs including transaction costs.

FINANCIAL INSTRUMENTS

The Group uses financial instruments to hedge exposure against foreign exchange risk in operating, financing and investment activities. The financial instruments are entered into based on a 'back-to-back' process, meaning that we normally make a hedge based on a specific underlying sale or purchase contract.

HEDGE ACCOUNTING

The Group designates certain financial instruments as either hedges of foreign currency risk of future cash flows (cash flow hedges), or hedges of net investments in foreign operations.

CASH FLOW HEDGES

The effect of the financial instruments used as hedging instrument in a cash flow hedge are recognized in the profit and loss in the same period as the underlying hedged transaction is recognized.

HEDGE OF NET INVESTMENT

Changes in book value of financial instruments used as hedges of net investment in foreign operations are recognized directly in equity.

LEASING

Property, plant and equipment which is leased on conditions which substantially transfer all the economic risks and rewards to Nammo (finance lease) are accounted for as property, plant and equipment at the present value of minimum lease payments or fair value if this is lower. The corresponding finance lease liabilities are included in other non-current liabilities. Property, plant and equipment is depreciated over the estimated useful lives of the assets. The related liabilities are reduced by the amount of lease payments less the effective interest expense. Other leases are accounted for as operating leases, with lease payments recognized as an expense over the lease terms.

NAMMO GROUP

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: REVENUE

The Nammo Group consists of subsidiaries in Norway, Sweden, Finland, Germany, Switzerland, Spain, USA, England, Ireland, Poland, India, Australia and Canada.

Revenue from Nammo subsidiaries per country

(NOK 1 000)	2021	2020
England	99 925	95 350
Finland	654 603	681 870
Germany	797 266	669 547
Ireland	13 794	12 624
Norway	2 129 895	1 605 840
Spain	409 885	304 377
Sweden	1 075 616	726 820
Switzerland	–	5 042
USA	1 796 542	1 934 176
Total	6 977 526	6 035 646

Revenue per geographical location of customers

(NOK 1 000)	2021	2020
Norway, Sweden and Finland	2 173 382	1 440 291
Other Europe	1 669 065	1 382 473
North America	2 585 781	2 764 510
Asia	337 636	354 803
Other countries	211 662	93 569
Total	6 977 526	6 035 646

NAMMO GROUP | NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: FINANCIAL MARKET RISK

The Nammo Group has both sales and purchases in foreign currencies. To reduce the financial risk of currency changes, secured exchange rate instruments (forwards contracts) is used to hedge contracts in foreign currency with both the customers and suppliers.

Transactions are recorded at the hedged rates of exchange.

Cash flow hedges as of December 2021

(Amounts in currency 1 000)

Transaction type	Buy/Sell(-)	CAD	CHF	EUR	GBP	SEK	DKK	USD
FX Forward	Buy	5 068	4 687	20 103	1 305	19 952	1 258	20 975
	Sell (-)	(11 429)	-	(53 378)	(4 307)	-	-	(25 667)
FX SWAP	Buy	-	-	249	-	-	-	100
	Sell (-)	-	(1 084)	(38 864)	(766)	-	-	(182 287)

Maturity FX Forwards and FX SWAPs – percentage allocation based on nominal value in NOK

Transaction type	Buy/Sell(-)	Year 2022	Year 2023	Year 2024
FX Forward	Buy	77,3%	22,7%	-
	Sell (-)	75,6%	20,3%	4%
FX SWAP	Buy	100%	-	-
	Sell (-)	100%	-	-

According to the Norwegian accounting legislation the hedging instrument is recognized in the profit and loss in the same period as the underlying transaction.

In some cases the underlying transaction does not happen at the maturity date of the hedging instrument. In these cases FX SWAPs are placed with a maturity date matching the new estimated time of the underlying transaction. The profit and loss effect of both the FX Forward and FX SWAP is matched with the underlying transaction.

NAMMO GROUP | NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: BOARD OF DIRECTORS' STATEMENT ON MANAGEMENT REMUNERATION

The Board proposes the following guidelines to be applied for 2022, up until the Annual General Meeting in 2023. The Board of Directors has established an HR (Human Resources) and Compensation Committee which consists of four Board members, whereof one is an employee representative and one member is appointed as the chairman of the committee.

The main principles of the remuneration policy for the CEO and executive management

The principles applying to remuneration of executive management are set by the Board and assessed yearly by the HR and Compensation Committee which presents these to the Board of Directors. Based on this the Board makes a final assessment of the CEO's remuneration and other compensation, including the structure of the top management compensation schemes. The CEO determines the compensation for all other members of corporate management, following the guidelines given by the Board. Management remuneration at Nammo AS and its subsidiaries is based on the following main principles:

- Top management remuneration shall be competitive, but not leading and within this framework, support general moderation in the development of top management remunerations
- It shall be structured to attract and motivate managers to strive to achieve continuous improvements in operations, financial results and other company key objectives
- The remuneration system shall be understandable, transparent and acceptable both inside and outside of Nammo
- It shall be flexible and open to adjustments when requirements change
- The system shall encourage cooperation

Corporate management compensation will reflect their responsibility for management, performance and sustainable development of Nammo, taking into account the size and complexity of the business. The arrangements shall always be transparent and in line with principles for good corporate governance. All companies where Nammo is in control shall comply with the main principles of the senior executive remuneration policy, although, for members of top management employed outside of Norway, the

compensation package might be adjusted to meet local market conditions in terms of salary level and pension schemes.

Nammo executive management does not have any long-term incentive agreements or part of value creation (e.g. measured by stock values) agreements. Most stock exchange and/or international companies have such incentive schemes in place.

Elements of management remuneration

Management remuneration in Nammo consists of four elements:

- Base salary
- Benefits
- Performance-based bonus
- Pension

Regular and relevant benchmarks (for the industry ex. oil & gas sector in Norway) are made to ensure that overall compensation packages are competitive, but not leading. For Nammo management, latest benchmark shows that total fixed and variable remuneration is lower than for comparable international companies.

Base salary

Base salary is the main element of the managers' remuneration. This shall be competitive, but not leading. The Board has defined the following main criteria as the basis for the top managers' salary level:

- Position grading, relative to size, complexity and responsibility,
- Industry benchmark, conducted by external 3rd party of Norwegian peers excl. oil and gas,
- Competence in terms of education and relevant work experience,
- Length of employment at Nammo,
- Time in current position and achieved results, and
- Considering general salary increases in Norway and Raufoss

Benefits

Common benefits for comparable positions in the different countries are offered to key management personnel. In Norway, there are no company car arrangements, but such arrangements may occur in other countries. Some top managers will receive a car allowance. There are four categories depending on managerial status. There is a car rental arrangement for transportation from Raufoss to the airport. Managers using this service will have their car allowance reduced. There are no particular limitations on the type of benefits that can be agreed.

Performance-based salary

Beyond the main principle of a base salary, there is a bonus scheme for the CEO and executive management. The bonus system adheres to the limits set by the Norwegian government regarding the sizes and levels of variable pay, for instance, the bonus may not exceed six months' salary.

For 2022, the Board has given the following targets for the CEO.

A. Nammo Group improved operational performance, i.e. NIBT target, 60 percent of total bonus. The NIBT bonus window is:

- NIBT Budget -10 percent gives no bonus
- NIBT at budget gives 50 percent bonus (of this bonus element)
- NIBT at budget +10 percent gives 100 percent bonus (of this bonus element)

Through the bonus interval, the calculation will be linear.

NAMMO GROUP | NOTES TO THE FINANCIAL STATEMENTS

B. Personal goals, 40 percent of total bonus:

- 20 percent related to US development, (financial performance better than budget and take advantage of new business opportunities)
- 10 percent related to achieving a Lost Time Injury frequency rate of 5 or below
- 10 percent related to developing and map Nammo Groups CO2 footprint and set targets

In addition to bonus agreement objectives, Nammo has several measurable goals related to sustainability (e.g. environmental footprint, gender balance/ female ratio), sick leave, common reporting, on-time delivery etc.

Targets for top management reflect these overall company goals set by the Board. Executive management has two main targets; improved financial and operational performance. The bonus scheme is based on:

Financial targets:

- EVPs financial targets (60 percent)
 - Group NIBT target (10 percent)
 - Own BU target (50 percent)
- CFO financial target (60 percent)
- Management team (excl. CFO and EVPs), Group NIBT achievement (40 percent)
- President NDS Inc. (70 percent)
 - Nammo Group NIBT target (10 percent)
 - NDS Group NIBT target (60 percent)

Bonus achievement for all Group financial targets measured as:

- NIBT Budget –10 percent gives no bonus
- NIBT at budget gives 50 percent bonus (of this bonus element)
- NIBT at budget +10 percent gives 100 percent bonus (of this bonus element)

Operational targets:

Operational improvements and other performance targets (30–60 percent of total bonus), such as delivering on defined improvement programs and other

specific operational objectives (e.g. minimize supply-chain disruptions, markets, customer, sustainability, people & safety, continuous improvement):

- CFO and EVPs 40 percent
- President NDS Inc. 30 percent
- Management team (excl. CFO, EVPs and President NDS Inc.) 60 percent

Good results over time should yield 50 percent payment of maximum bonus.

The performance-based bonus provides no basis for pension and is annually assessed by the Board of Directors and/or the CEO to ensure that it works as intended and that any required adjustments are made.

Pension

Nammo has pension schemes in line with market terms in all countries of operation. New employees are enrolled into existing schemes. These plans meet the government’s guidelines for pension schemes for senior management or similar arrangements in the country where the top manager is employed. In Norway, employees have a defined benefit pension scheme, financed through a Group pension scheme with Storebrand, limited to 12G (in 2021 app. 1.27 MNOK), with an estimated coverage of 60 percent of salary at time of retirement.

In accordance with the Norwegian government’s guidelines, Nammo does not have a pension scheme for income above 12G.

Effective from 1 January 2017, management in Norway receives a payment of an additional cash amount equal to 20 percent of the base salary above 12G. This is intended to be saved for pension purposes.

The Group CEO has an agreement for retirement at the age of 65. After retirement at the age of 65, the CEO will receive 60 percent of his base salary for two years. After retirement, the Group CEO is entitled to a pension of 60 percent of base salary from the age of 67 years. This is reflected in a separate CEO pension compensation agreement.

Severance package arrangements

If the Board asks the CEO to resign from his position before his retirement age at 65, he is entitled to an “employment ending-compensation” corresponding to 12 months base salary. No other Group management executives are entitled to pay after termination of employment beyond the regular dismissal period.

Statement for the fiscal year 2021

The executive compensation structure was implemented in accordance with the above mentioned information with full effect from 1 January 2017. The salary of the CEO has been set by the Board of Directors in line with the principles in the remuneration policy. The remuneration for other executive management is set in line with this remuneration policy and with reference to country-wide salary development/inflation rate. In addition, the performance-based salary outlined above has resulted in earned bonuses as described below in note 4. Average base salary increases for Nammo AS in 2021 were 3.0 percent. In 2021, Nammo delivered both financial and operational results above expectations. This resulted in bonus achievements of app. 80 percent for the CEO and other Group executives. Compared to previous years the achievement is at the same level or significantly higher (2017: 22 percent, 2018: 31 percent, 2019: 40 percent, 2020: 83 percent). Bonus for 2021 results will be paid in 2022.

Besides the above described, Nammo has not made or amended any agreements for compensation with material impact on the company or its shareholders in the previous financial year. Remuneration to the Group CEO and other executives are shown in note 4 below.

NAMMO GROUP | NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: EMPLOYEE/MANAGEMENT REMUNERATION AND AUDITOR'S FEES

(NOK 1 000)	2021	2020
Salaries	1 519 174	1 466 532
Employment taxes	132 456	117 836
Pension costs	146 193	126 630
Other personnel costs	163 617	155 746
Total	1 961 440	1 866 744

Average number of man-years	2 648	2 523
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Remuneration CEO, Board of Directors and corporate management

(NOK)	Function	Salary	Compensation pension element	Earned bonus for 2021	Other comp	Pension cost	Total
Morten Brandtzaæg	President and CEO	4 473 260	2 530 980	2 557 507	109 288	218 285	9 889 320
Kjell Kringsjå	COO	2 820 829	262 944	969 412	106 657	208 606	4 368 448
Christian Rykke	CFD	2 442 928	210 702	835 997	131 926	261 843	3 883 396
Hege Elisabeth Nyhus	SVP Human Resources (from Sep.)	451 267	10 104	105 873	5 104	149 862	722 210
Jens-Petter Dieseth	SVP Business Development	1 626 721	53 202	79 430	71 506	247 352	2 078 211
Camilla Becker	SVP Human Resources (to Aug.)	1 661 238	46 240	241 186	34 482	307 496	2 290 642
Stein Erik Nodeland	EVP AP	1 830 435	105 744	542 027	122 631	194 437	2 795 274
Vegard Sande	EVP LCS	2 155 172	163 854	915 249	119 883	155 411	3 509 569
Reijo Bragberg	EVP SMCA	2 419 268	–	707 690	17 848	933 881	4 078 687
Endre Lunde	SVP Communications (to Mar.)	551 092	2 781	–	10 853	218 940	783 666
Anne Haugen-Flermoe	SVP Legal	1 628 646	63 222	500 923	60 323	227 914	2 481 028
Fredrik Tangeraas	SVP Communications (from June)	885 371	39 393	206 957	45 822	141 419	1 318 962

Board of Directors

Remuneration

Dag Schjerven	Chairman	468 000
Esa Rautalinko	Vice Chariman	439 000
Dag Opedal	Board Member	168 000
Cathrine Bjaarstad	Board Member	259 000
Sirpa-Helena Sormunen	Board Member	266 000
Ville Jaakonsalo	Board Member	275 000
Marianne Stensrud	Board Member	259 000
Petri Kontala	Board Member	266 000
Jan Steffen Skogseth	Board Member	179 000

All Norwegian corporate management members are included in a collective defined benefit pension plan in Norway.

NAMMO GROUP | NOTES TO THE FINANCIAL STATEMENTS

Auditor's fee

All numbers are presented exclusive VAT.

(NOK 1 000)	2021	2020
Group auditor's fees	6 948	6 854
Fees for other assurance work	163	-
Tax advisory services	137	2 062
Other services	995	869
Total	8 243	9 785

NOTE 5: FINANCIAL ITEMS

(NOK 1 000)	2021	2020
Gain on exchange	27 414	53 520
Other financial income	742	881
Total other financial income	28 156	54 401
Loss on exchange	(19 160)	(37 790)
Other financial expenses	(12 177)	(8 858)
Total other financial expenses	(31 337)	(46 648)

NOTE 6: SHARES IN OTHER COMPANIES

(NOK 1 000)	Company's share capital	Number of shares owned	Nominal value	Booked value NOK	Ownership
Joint controlled companies					
SN Technologies SA, Meyrin, Switzerland	CHF 200 000	100	CHF 100 000	7 910	50%
Total				7 910	
Other shares and participations					
Komm-In AS, Norway				4 500	8%
Sintef Raufoss Manufacturing AS, Raufoss, Norway				1 302	14%
Raufoss Industripark Holding AS, Raufoss, Norway				11 300	2%
Nordic Additive Manufacturing AS				750	12%
Others				21	-
Total				17 873	

Joint controlled companies are recognized according to the equity method in the consolidated financial statements. In 2021 the Nammo Group accounted for a share of the net income from SN Technologies SA at NOK -2.2 million.

For information about the Nammo AS subsidiaries, reference is made to Nammo AS' financial statement note 5.

NAMMO GROUP | NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: INTANGIBLE ASSETS

(NOK 1 000)	Patents, trademark and other intangible assets	Goodwill	Research and Development	Total
Acquisition cost as of 01.01.21	724 946	416 067	289 874	1 430 887
Adjustment gross acq. costs	1 619	(212)	-	1 407
Additions during the year	80 536	-	20 201	100 737
Exchange difference acq. cost	14 797	15 657	-	30 454
Acquisition cost 31.12.21	821 898	431 512	310 075	1 563 485
Accumulated amortizations 31.12.21	(576 009)	(298 050)	(64 695)	(938 754)
Accumulated write-down 31.12.21	(12 696)	-	(65 004)	(77 700)
Book value as of 31.12.21	233 193	133 462	180 375	547 030
Amortization this year	48 475	37 992	14 426	100 893
Write-down this year	11 970	-	65 004	76 974
Economic lifetime (years)	1-10	5-10	1-10	
Depreciation plan	Linear	Linear	Linear	

Goodwill amortized over more than five years is goodwill originating from companies with products strongly rooted with the customers and a strong market position, which is expected to last materially longer than five years.

Amortizations and write-downs related to research and development is classified as cost of goods sold in the P&L.

NOTE 8: TANGIBLE FIXED ASSETS

(NOK 1 000)	Buildings	Land	Machinery and equipment	Fixtures, fittings, tools, office machinery, etc	Plants under construction	Total
Acquisition cost as of 01.01.21	992 395	75 844	2 559 779	480 302	308 975	4 417 295
Adjustment gross acq. costs	20 530	(9)	(13 458)	22 431	(61 268)	(31 774)
Additions during the year	36 504	820	118 618	16 464	154 089	326 495
Disposals during the year	(440)	(210)	(13 567)	(2 327)	-	(16 544)
Exchange difference acq. cost	(11 203)	(656)	(37 892)	(12 909)	(2 339)	(64 999)
Acquisition cost 31.12.21	1 037 786	75 789	2 613 480	503 961	399 457	4 630 473
Accumulated depreciations 31.12.21	(565 406)	(25 040)	(1 808 123)	(386 102)	(16 272)	(2 800 943)
Accumulated write-down 31.12.21	(50 005)	-	(30 577)	(9 782)	(34 827)	(125 192)
Book value as of 31.12.21	422 375	50 749	774 780	108 077	348 358	1 704 338
Depreciations this year	46 677	1 562	132 503	20 792	-	201 534
Write-down this year	33 526	-	2 098	45	-	56 823
Annual leasing cost of assets not recognized in balance sheet	42 992	16 060	61 123	6 073	-	126 248
Economic lifetime (years)	10-50	-	5-20	3-10	-	-
Depreciation plan	Linear	Linear	Linear	Linear	-	-

Included in machinery and equipment there are two financial lease contracts in Finland capitalized with NOK 57 million. The lease expires in 2029 and 2032 respectively. Yearly lease cost is NOK 8 million.

NAMMO GROUP | NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: OTHER RECEIVABLES (CURRENT AND NON-CURRENT)

These items include accrued revenue, receivables from employees, VAT receivables and other receivables.

NOTE 10: ACCOUNTS RECEIVABLES AND LOSSES ON BAD DEBTS

(NOK 1 000)	2021	2020
Accounts receivables	914 106	916 169
Provision for bad debt	(61 806)	(4 104)
Book value of accounts receivables	852 300	912 065

No receivables fall due later than five years from 31 December 2021.

NOTE 11: CASH RESERVE

(NOK 1 000)	2021	2020
Total available cash and cash credits 31 December	2 214 723	1 753 234

Nammo AS has established an international cash pool together with the following Group companies:

- Finland** Nammo Lapua Oy and Nammo Vihtavuori Oy.
- Germany** Nammo Schönebeck GmbH, Nammo Germany Defence GmbH and Nammo Germany GmbH.
- Norway** Nammo AS, Nammo Raufoss AS and Nammo NAD AS.
- Sweden** Nammo Sweden AB and Hansson Pyrotech AB.
- USA** Nammo Inc., Nammo Defense Systems Inc., Nammo Composite Solutions LLC., Nammo Tactical Ammunition LLC., Nammo Pocal Inc., Nammo Technologies Inc., Capstone Precision Group LLC., Nammo Energetics Indian Head Inc. and Nammo Perry Inc.
- Spain** Nammo Palencia S.L.
- Ireland** Nammo Ireland Ltd.
- UK** Nammo (U.K.) Ltd. and Nammo Cheltenham Ltd.

All parties participating in the cash pool are mutually liable.

NOTE 12: EQUITY AND SHAREHOLDERS

(NOK 1 000)	Share capital	Other paid in capital	Other equity	Minority interest	Total
Equity as of 31.12.20	100 000	258 670	2 652 070	-	3 010 740
Profit for the year	-	-	459 030	-	459 030
Proposed dividend to shareholders ¹⁾	-	-	(229 600)	-	(229 600)
Other items	-	-	36 767	-	36 767
Exchange differences	-	-	(90 356)	-	(90 356)
Equity as of 31.12.21	100 000	258 670	2 827 911	-	3 186 581

1) Board of director's proposal to the general meeting of shareholders.

Nammo AS shareholders are disclosed in Nammo AS' financial statement, note 7.

NAMMO GROUP | NOTES TO THE FINANCIAL STATEMENTS

NOTE 13: PENSION LIABILITY – PENSION COST

The companies with pension arrangements, which provide the employees with the right to defined future pension payments, are included in the calculations of the pension liability (defined benefit plans). The pension liability at 31 December 2021 was NOK 186.7 million and is derived from the companies in Sweden, Germany and Finland. Pension assets in Norway were 109.7 million at 31 December 2021. The defined benefit plan in Norway has 430 active members, whereas in Sweden there are 97 active members. In addition, contribution pension plans exist in the other countries where we operate.

The total periodic pension costs for both defined benefit plans and defined contribution plans are included in personnel costs in the profit and loss statement. The different pension plans are structured and based upon the laws and regulation in the respective countries. The assumptions used for the actuary calculations are as follows:

Assumptions	Norway	Sweden
Discount rate	1.50%	1.70%
Yield from pension funds	2.90%	–
Annual salary increase	2.50%	2.60%
Annual increase in G	2.25%	–
Annual increase Income Base amount	–	2.60%
Inflation	–	2.10%

Pension costs

(NOK 1 000)	2021	2020
Service costs	78 653	77 790
Amortization of net actuarial losses (gains)	11 140	11 236
Interest costs (income)	12 512	949
Expected return on plan assets	–	(11 630)
Pension cost related to defined contribution plans	51 247	48 285
Settlement pension plans	(7 359)	–
Net periodic pension costs	146 193	126 630

Pension liabilities/assets

(NOK 1 000)	2021	2020
Defined benefit obligation incl. social security tax	754 732	861 571
– Fair value of plan assets	(472 655)	(519 764)
Net pension obligation	282 077	341 807
Items not recorded in the profit and loss:		
Unrecognized net actuarial loss (gain)	(205 060)	(230 795)
Net pension liability	77 017	111 012
Classified as pension asset in the balance sheet	109 673	89 616
Classified as pension liabilities in the balance sheet	186 690	200 628

NAMMO GROUP | NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: INCOME TAXES

Deferred tax liability/deferred tax asset (-)

The deferred tax liabilities/tax asset has been calculated on the basis of the temporary differences existing at the end of the accounting year between accounting values and taxation values. The specification below shows the temporary differences and the calculation of the deferred tax liabilities/tax advantages as at the end of the accounting year.

(NOK 1 000)	2021	2020	Change
Temporary differences:			
Intangible assets	(3 983)	31 216	35 199
Fixed assets	(26 512)	(54 172)	(27 660)
Accounts receivables	(51 275)	(45 032)	6 243
Inventory	(384 613)	101 504	486 117
Pension liabilities	65 498	41 468	(24 030)
Warranty liabilities	(131 692)	(91 820)	39 872
Other non-current temporary differences	405 554	(72 775)	(478 329)
Other current temporary differences	(89 188)	(103 350)	(14 162)
Temporary differences	(216 211)	(192 961)	23 250
Carried forward losses for tax purposes	(527 115)	(414 240)	
Total temporary differences	(743 326)	(607 201)	
Gross deferred tax/deferred tax assets (-)	(197 491)	(154 920)	
Deferred tax assets not recognized in the balance sheet	187 695	96 987	
Net deferred tax liability/deferred tax asset (-)	(9 796)	(57 933)	
Classified as deferred tax asset	59 504	85 056	
Deferred tax liability in the balance sheet	49 708	27 123	

NAMMO GROUP | NOTES TO THE FINANCIAL STATEMENTS

Payable income taxes

(NOK 1 000)	2021
Net income before tax	643 852
Changes in temporary differences	23 250
Exchange differences temporary differences	(8 513)
Permanent differences	(75 946)
Use of carried forward losses	(99 630)
Taxable income	483 013
Payable income tax	165 724

Tax expense in profit and loss

(NOK 1 000)	2021
Payable tax on this year's result	140 644
Adjustments prior years	1 244
Payable tax in this year's tax cost	141 888
Change in deferred tax/deferred tax asset	49 707
Other items	(6 773)
Tax expense in the P&L	184 822

Payable tax in the balance sheet

(NOK 1 000)	2021
Payable taxes	141 286
Prepaid taxes	(81 229)
Other items	14 361
Payable tax in balance sheet	74 418

NOTE 15: WARRANTY PROVISION

(NOK 1 000)	2021	2020
Warranty provision 01.01	93 303	60 237
Exchange differences	(3 711)	2 477
Change in provision during the year	40 838	30 589
Warranty provision 31.12	130 430	93 303

NAMMO GROUP | NOTES TO THE FINANCIAL STATEMENTS

NOTE 16: INTEREST-BEARING LOANS, AVAILABLE CASH CREDITS AND GUARANTEES

(NOK 1 000)	2021	2020
Total interest bearing loans/bonds	1 201 422	1 535 557

Nammo AS long-term loans and bond as of December 31, 2021 consist of:

(NOK 1 000)	Final maturity date	Facility total	Utilized	Available
Term loan facility, NOK 600 millions	December 22, 2026	600 000	600 000	–
Bond Issuance, NOK 600 millions	October 13, 2028	600 000	600 000	–
Revolving credit facility, NOK 1 000 millions	December 22, 2026	1 000 000	–	1 000 000

Available unused cash credits at 31 December 2021:

(NOK 1 000)	Cash credits
Revolving credit facility	1 000 000
Additional cash credits available	400 000
Total unused cash credits at year-end	1 400 000

The financial covenants related to the long-term loans from credit institution are:

- Net Debt to EBITDA maximum 3.0, and
- Total Equity to Total assets, minimum at 30%

At December 31, 2021 there are no default related to the financial covenants.

Guarantees not recognized in the balance sheet as of 31 December 2021 is NOK 419 million.

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Nammo AS

Nammo

NAMMO AS

INCOME STATEMENT

(NOK 1 000)

	Notes	2021	2020
Revenue	1	114 426	97 504
Operating expenses			
Payroll expenses	2, 9	(76 386)	(66 998)
Depreciation	4	(1 181)	(1 112)
Other operating expenses	2	(76 567)	(58 678)
Total operating expenses		(154 134)	(126 788)
Operating profit		(39 708)	(29 284)
Financial income and expenses			
Received Group contribution		150 000	100 000
Interest income	3	32 567	42 795
Other financial income	3	291 038	30 778
Interest expenses	3	(24 855)	(34 947)
Other financial expenses	3, 13	(16 980)	(118 465)
Net financial income (expense)		431 770	20 161
Profit before tax		392 062	(9 123)
Income taxes	10	(36 657)	(644)
Profit (loss) for the year		355 405	(9 767)
The Board's proposal for allocation of the profit			
Dividend		229 600	211 300
Other equity		125 805	(221 067)
Total		355 405	(9 767)

NAMMO AS

BALANCE SHEET

(NOK 1 000)

Notes

As of 31.12.21

As of 31.12.20

ASSETS

Non-current assets

	Notes	As of 31.12.21	As of 31.12.20
Intangible assets			
Licenses and other intangible assets	4	2 935	-
Total intangible assets		2 935	-
Tangible assets			
Buildings	4	500	32
Machines and equipment	4	25	43
Fixtures and fittings, office machines etc.	4	1 448	2 383
Fixed assets under construction	4	431	2 072
Total tangible assets		2 404	4 530
Financial assets			
Investments in subsidiaries	5	609 365	609 365
Investments in other shares and participations		11 300	11 520
Loans to Group companies		1 047 390	1 057 839
Pension assets	9	6 305	4 209
Other receivables		1 611	1 706
Total fixed assets		1 675 971	1 684 639
Total non-current assets		1 681 310	1 689 169
Current assets			
Receivables			
Accounts receivables		646	-
Receivables from Group companies	12	348 996	350 274
Receivable Group contributions		150 000	100 000
Prepayments to vendors		14 942	12 255
Other receivables		4 753	6 583
Total receivables		519 337	469 112
Cash and cash equivalents	6, 12	38 646	231 105
Total current assets		557 983	700 217
Total assets		2 239 293	2 389 386

NAMMO AS

BALANCE SHEET

(NOK 1 000)

Notes

As of 31.12.21

As of 31.12.20

SHAREHOLDERS' EQUITY AND LIABILITIES

Equity

Share capital	7, 8	100 000	100 000
Premium fund	8	258 670	258 670
Total paid in capital		358 670	358 670
Other equity	8	345 457	219 656
Total earned equity		345 457	219 656
Total equity		704 127	578 326

Liabilities

Non-current liabilities			
Deferred tax	10	35 530	1 047
Total non-current liabilities		35 530	1 047

Other non-current liabilities			
Liabilities to financial institutions	11	1 200 000	1 529 801
Total other non-current liabilities		1 200 000	1 529 801

Current liabilities			
Accounts payable		8 660	15 496
Payables to Group companies		31 429	9 058
Income tax payable	10	2 174	22 293
Public duties payable		4 645	5 765
Dividend payable to shareholders	8	229 600	211 300
Other current liabilities		23 128	16 300
Total current liabilities		299 636	280 212

Total liabilities		1 535 166	1 811 060
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Total shareholders' equity and liabilities		2 239 293	2 389 386
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Raufoss, 22 March 2022

Dag Schjerven
CHAIRMAN OF THE BOARD

Esa Rautalinko
VICE CHAIRMAN OF THE BOARD

Jan Skogseth
BOARD MEMBER

Cathrine Bjaarstad
BOARD MEMBER

Ville Jaakonsalo
BOARD MEMBER

Sirpa-Helena Sormunen
BOARD MEMBER

Marianne Stensrud
BOARD MEMBER

Petri Kontola
BOARD MEMBER

Morten Brandtzæg
PRESIDENT & CEO

NAMMO AS

CASH FLOW

(NOK 1 000)	2021	2020
Cash flow from operational activities		
Result before tax	392 062	(9 123)
Tax payments	(22 293)	(20 271)
Ordinary depreciation	1 181	1 112
Changes in accounts receivable	(18 727)	(8 166)
Changes in accounts payable	15 535	8 143
Pension cost less paid pension premium	(2 095)	125
Changes in loans to Group companies	10 449	(144 689)
Changes in other dispositions	(373 946)	309 540
Net cash flow from operational activities (a)	2 166	136 671
Cash flow from investment activities		
Investments in fixed assets	(1 990)	(2 072)
Net cash flow from investment activities (b)	(1 990)	(2 072)
Cash flow from financing activities		
Payments from new long-term loans	1 200 000	290 687
Installments long term loans	(1 515 026)	(42 454)
Received dividend	233 691	–
Received Group contribution	100 000	100 000
Paid dividend	(211 300)	(96 500)
Net cash flow from financing activities (c)	(192 635)	251 733
Net changes in cash and bank accounts (a+b+c)	(192 459)	386 332
Cash and bank accounts as of 01.01.	231 105	(155 227)
Cash and bank accounts as of 31.12.	38 646	231 105

Unused credit facilities is NOK 1 400 million. See note 11.

NAMMO AS

FINANCIAL STATEMENTS 2021

Content Notes

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NOTE 12 Cash pool	100
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NAMMO AS

ACCOUNTING POLICIES NAMMO AS

GENERAL

Nammo AS is a public limited company (Aksjeselskap). The Nammo AS headquarters are located in Raufoss, Norway.

The financial statements for Nammo AS have been prepared in accordance with the Norwegian Accounting Act and the Norwegian General Accepted Accounting Principles.

Nammo AS provides financing to most of the subsidiary companies in the Nammo Group.

FOREIGN CURRENCIES

Realized and unrealized gains and losses on transactions, assets and liabilities denominated in a currency other than the functional currency (NOK) of Nammo AS and that do not qualify for hedge accounting, are included in net income.

REVENUE RECOGNITION

Revenues are mainly sale of Group services to other Group companies. Revenue from services is recognized as the services are rendered.

DIVIDENDS RECEIVED

Dividends from investments are recognized in the income statement when Nammo AS has a right to receive the dividends.

INTEREST INCOME

Interest income is recognized in the income statement as it is accrued.

GOVERNMENT GRANTS

Government grants are recognized in the consolidated financial statement when Nammo AS has reasonable assurance that it will receive them and comply with conditions attached to them.

Government grants that compensate Nammo AS for expenses are recognized in the income statement as the expenses are incurred. Government grants that compensate Nammo AS for the cost of an asset are recognized as a reduction to the total investment, and thus also to the future depreciations of the asset.

INCOME TAXES

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements, and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences, to the extent of probability that taxable profits will be available against which those deductible temporary differences can be utilized.

Current and deferred taxes are recognized as expense or income in the income statement, except when they relate to items recognized directly in equity, in which case the tax is also recognized directly in equity.

INTANGIBLE ASSETS

Intangible assets include capitalized software licenses and software development costs measured at historic cost, less accumulated amortization. Intangible assets are amortized on a straight-line basis over their expected useful life.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at historic cost, less accumulated depreciation and any impairment loss.

Expenses in connection with ordinary maintenance and repairs are recognized in the income statement as they are incurred.

Expenses incurred in connection with major replacements and renewals are capitalized and depreciated on a systematic basis.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful life.

Gain or loss due to sale or retirement of property, plant and equipment is calculated as the difference between sales proceeds and carrying value, and is recognized in the income statement.

SUBSIDIARIES

Shares in subsidiaries are recognized according to the historic cost method.

IMPAIRMENT OF NON-CURRENT ASSETS

Nammo AS assesses the carrying amount of tangible assets and identifiable intangible assets annually, or more frequently if events or changes in circumstances indicate that such carrying amounts may not be recoverable. Factors considered to be material which trigger an impairment test include:

- Significant underperformance relative to historical or projected future results, or
- Significant changes in the manner of the company's use of the assets or the strategy for the overall business, or
- Significant negative industry or economic trends

NAMMO AS | ACCOUNTING POLICIES NAMMO AS

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell and value in use. When it is determined that the carrying amount of tangible assets and identifiable intangible assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, an impairment charge is measured based on discounted projected cash flows. An impairment loss is recognized to the extent that the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Previously recognized impairment losses are reversed if the assumptions for impairment are no longer present.

DIVIDEND LIABILITY

A dividend liability is recognized based on the board of directors proposal to be approved by the annual general meeting.

DEFINED BENEFIT PLANS

The net obligation in respect to defined benefit plans are calculated separately for each plan. The amount is an estimation of future benefits that the employees have earned in return for their service in current and prior periods. The benefit is discounted to determine its present value, and the fair value of the plan assets, and then unvested past service cost is deducted. The discount rate is based on the risk free rate (interest rate on long-term government bonds) and the recommendation from The Norwegian Accounting Standards Board (Norsk Regnskapsstiftelse), plus a risk premium. Qualified actuaries perform the calculations.

The actuarial gains or losses are recognized using a corridor. The corridor is defined as 10 percent of the highest of the Defined Benefit Obligation (DBO) and total plan assets. The net actuarial gain or loss exceeding the corridor is amortized in the income statement over the estimated remaining period of service from the members in the plan.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank deposits.

TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Trade receivables and other short-term receivables are recognized at the lower of the transaction amount (historic cost) and the fair value at the time of reporting.

TRADE PAYABLES AND OTHER SHORT-TERM LIABILITIES

Trade payables are recognized at the higher of the transaction amount (historic cost) and the fair value at the time of reporting.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those recognized at fair value through the income statement, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future

cash flows of the investment have been impacted. For financial assets carried at historic cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows.

INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognized initially at historic cost including transaction costs.

FINANCIAL INSTRUMENTS

Nammo AS uses financial instruments to hedge exposure against foreign exchange risk in operating, financing and investment activities. These are mainly forward currency contracts to hedge risk of currency fluctuations (cash flow hedges). The effect of the financial instruments used as hedging instruments in a cash flow hedge, are recognized in the income statement in the same period as the hedged transaction is recognized (hedge accounting).

NAMMO AS

NOTES TO THE ACCOUNTS

NOTE 1: RELATED PARTY TRANSACTIONS AND REVENUE

Sales and purchase transactions with Group companies are conducted in compliance with normal commercial terms and the arm's length principle. Agreements with related parties are concluded in writing.

Revenue

(NOK 1 000)	2021	2020
Management service fee Group companies	109 004	92 550
Other	5 422	4 954
Total	114 426	97 504

NOTE 2: SALARIES AND SOCIAL COST

(NOK 1 000)	2021	2020
Salaries	58 233	52 887
Employment taxes	8 366	6 382
Pension costs	6 185	4 451
Other social costs	3 602	3 278
Total	76 386	66 998
Average number of man-years	23	20

For details about the remuneration to the CEO and the Board of Directors, refer to note 4 in the Group financial statements.

Auditor's fee:

(NOK 1 000) All numbers are presented exclusive VAT	2021	2020
Auditor's fee	723	335
Tax advisory services	12	-
Other services	218	252
Total	953	587

NAMMO AS | NOTES TO THE ACCOUNTS

NOTE 3: FINANCIAL ITEMS

(NOK 1 000)	2021	2020
Interest income from Group companies	22 423	29 357
Other interest income	10 144	13 438
Total interest income	32 567	42 795
Gain on exchange	57 347	30 778
Other financial income	233 691	-
Total other financial income	291 038	30 778
Other interest cost	(24 855)	(34 947)
Total interest cost	(24 855)	(34 947)
Loss on exchange	(180)	(100 518)
Write-down receivable Nammo Defence Germany GmbH, see note 13	(6 706)	(11 375)
Other financial expenses	(10 094)	(6 572)
Total other financial expenses	(16 980)	(118 465)

NOTE 4: FIXED AND INTANGIBLE ASSETS

(NOK 1 000)	Licenses and other intangible assets	Buildings	Machines and equipment	Fixtures, fittings and office equipment	Assets under construction	Total
Acquisition cost as of 01.01.21	-	913	694	11 051	2 072	14 730
Additions during the year	3 145	486	-	-	(1 641)	1 990
Acquisition cost as of 31.12.21	3 145	1 399	694	11 051	431	16 720
Accumulated depreciations 31.12.21	210	(899)	(669)	(9 603)	-	(11 381)
Book value as of 31.12.21	2 935	500	25	1 448	431	5 339
Ordinary depreciations for the year	(210)	(18)	(18)	(935)	-	(1 181)
Annual leasing cost on assets not in the balance sheet	-	(3 598)	(95)	-	-	(3 693)
Economic lifetime (years)	5 years	5 years	3-5 years	3-10 years	-	-
Depreciation plan	Linear	Linear	Linear	Linear	-	-

NAMMO AS | NOTES TO THE ACCOUNTS

NOTE 5: SHARES IN SUBSIDIARIES

Name of the company (NOK 1 000)	Company's share capital	Number of shares owned	Nominal value	Booked value	Ownership
Nammo Raufoss AS, Raufoss	NOK 150 000 000	150 000	150 000	175 000	100%
Nammo Sweden AB, Karlsborg	SEK 10 000 000	100 000	10 000	59 961	100%
Nammo Lapua Oy, Lapua	EUR 4 793 000	285 000	–	105 006	100%
Nammo Defence Germany GmbH, Storkow	EUR 26 000	1	26	–	100%
Nammo Incorporated, Virginia	USD 38 380 000	–	–	239 981	100%
Nammo NAD AS, Løkken Verk	NOK 4 782 000	23 910	2 391	8 136	100%
Nammo Polska SP. Z. O. O, Warsaw	PLN 50 000	1 000	50	108	100%
Nammo India Ltd, New Delhi	INR 100 000	10 000	100	13	100%
Nammo UK Holding Ltd., Westcott	–	–	–	–	100%
Nammo Ireland Ltd., Dublin	EUR 476 250	375 000	476 250	21 160	100%
Nammo Technologies Inc., Virginia	–	–	–	–	100%
Total				609 365	

NOTE 6: CASH RESERVE

Cash is reduced with the draw that the Group companies has in the international cash pool of NOK 331.2 million. This is classified as receivables from Group companies. Refer to note 12.

The company has no restricted bank deposits.

NOTE 7: SHARE CAPITAL

As of 31 December 2021, Nammo AS's share capital is NOK 100 million, split on 1 000 000 shares of NOK 100 each.

Nammo AS shareholders as of 31 December 2021

(NOK 1 000)	Number of shareholders	Number of shares	Ownership/vote
The Norwegian State, represented by the Ministry of Trade, Industry and Fisheries		500 000	50%
Patria Oyj, Finland		500 000	50%
Total	2	1 000 000	100%

NAMMO AS | NOTES TO THE ACCOUNTS

NOTE 8: EQUITY

(NOK 1 000)	Share capital	Other paid in capital	Other equity	Total
Equity as of 01.01.21	100 000	258 670	219 656	578 326
Profit for the year	–	–	355 405	355 405
Dividend *)	–	–	(229 600)	(229 600)
Other items	–	–	(4)	(4)
Equity as of 31.12.21	100 000	258 670	345 457	704 127

*) Board of directors proposal for the annual general meeting

NOTE 9: PENSION LIABILITY AND PENSION COSTS

The pension liabilities are calculated based on the Norwegian accounting standard. Nammo AS has established a collective pension plan according to Norwegian tax law and the law for pensions for all employees (Lov om foretakspensjon). The plan includes 26 active members. Nammo AS is a member of the LO/NHO AFP-plan. The old plan is closed and the corresponding pension liability deriving from the plan is de-recognized in the balance sheet. The pension liability in the new AFP-plan is not possible to estimate reliably at year-end; therefore, this pension liability is not recognized in the balance sheet.

The net periodic pension cost is based on this year's actuarial calculations of earning of pension rights, and is included in payroll expenses in the profit and loss.

The actuarial calculation was performed in December 2021 with the following assumptions:

Discount rate	1.50%
Yield from pension funds	2.90%
Annual salary increase	2.50%
Annual increase in G	2.25%

Pension cost

(NOK 1 000)	2021	2020
Service costs	5 414	4 607
Amortization of net actuarial losses (gains)	826	642
Interest costs	319	48
Pension cost related to defined contribution plans	29	27
Expected return on plan assets	(403)	(873)
Net pension costs	6 185	4 451

Pension liabilities

(NOK 1 000)	2021	2020
Defined benefit obligation incl. payroll tax	53 560	48 957
– Fair value of plan assets	(42 063)	(36 908)
Gross pension liability	11 497	12 049
Items not recognized in the profit and loss:		
Unrecognized net actuarial loss (gain)	(17 802)	(16 258)
Net amount recognized in the balance sheet	(6 305)	(4 209)

NAMMO AS | NOTES TO THE ACCOUNTS

NOTE 10: INCOME TAXES

10.1. This year's tax cost

The difference between the net income before tax and the basis for the tax calculation is specified below.

(NOK 1 000)	2021	2020
Profit before tax	392 062	(9 123)
Permanent differences	8 250	12 049
Changes in temporary differences	(156 739)	98 407
Non-taxable income	(233 691)	-
Taxable income	9 882	101 333

Specification of the tax cost in the profit and loss:

(NOK 1 000)	2021	2020
Tax payable	2 174	22 293
Changes in deferred tax	34 483	(21 649)
This year's tax cost	36 657	644

Effective tax rate:

(NOK 1 000)	2021
Profit before tax	392 062
22% of profit before tax	86 254
22% of permanent differences	(49 597)
Calculated tax cost	36 657
Effective tax rate	9.4 %

10.2. Deferred taxes

The deferred tax liabilities/tax assets have been calculated based on the temporary differences existing at the end of the accounting year between accounting values and taxation values. The specification below shows the temporary differences and the calculation of the deferred tax liabilities/tax assets at the end of the accounting year.

(NOK 1 000)	2021	2020
Tangible fixed assets	48	(97)
Accounts receivables	-	647
Other receivables	155 145	-
Pension liability/asset	6 305	4 209
Net temporary differences as basis for deferred tax /tax asset (-) calculation	161 498	4 759
Deferred tax/deferred tax asset (-)	35 530	1 047

NAMMO AS | NOTES TO THE ACCOUNTS

NOTE 11: INTEREST BEARING LOANS AND GUARANTEES

(NOK 1 000)	2021	2020
Total interest bearing loans/bonds	1 200 000	1 529 801

Nammo AS long term loans and bonds as of 31 December, 2021 consist of:

(NOK 1 000)	Final maturity date	Facility total	Utilized	Available
Term loan facility, NOK 600 millions	December 22, 2026	600 000	600 000	-
Bond issuance, NOK 600 millions	October 13, 2028	600 000	600 000	-
Revolving credit facility, NOK 1 000 millions	December 22, 2026	1 000 000	-	1 000 000

Available unused cash credits at 31 December 2021:

(NOK 1 000)	Cash credits
Revolving credit facility	1 000 000
Additional cash credits available	400 000
Total unused cash credits at year-end	1 400 000

The financial covenants related to the long term loans from credit institution are:

- Net Debt to EBITDA maximum 3.0, and
- Total Equity to Total assets, minimum at 30%

At December 31, 2021 there are no default related to the financial covenants.

Guarantees not recognized in the balance sheet as of 31 December 2021 is NOK 416 million.

NOTE 12: CASH POOL

Nammo AS has established an international cash pool together with the following Group companies:

- Finland** Nammo Lapua Oy and Nammo Vihtavuori Oy
- Germany** Nammo Schönebeck GmbH, Nammo Defence Germany GmbH and Nammo Germany GmbH.
- Norway** Nammo AS, Nammo Raufoss AS and Nammo NAD AS
- Sweden** Nammo Sweden AB and Hansson Pyrotech AB.
- USA** Nammo Inc., Nammo Defense Systems Inc., Nammo Composite Solutions LLC., Nammo Tactical Ammunition LLC., Nammo Pocal Inc., Nammo Technologies Inc., Capstone Precision Group LLC., Nammo Energetics Indian Head Inc. and Nammo Perry Inc.
- Spain** Nammo Palencia S.L.
- Ireland** Nammo Ireland Ltd.
- UK** Nammo (U.K.) Ltd. and Nammo Cheltenham Ltd.

Nammo AS subsidiaries' balance on the cash pool is included in receivables from Group companies.

This amounts to NOK 331.2 million. See note 6.

NOTE 13: IMPAIRMENT INVESTMENT IN SUBSIDIARY

At 31 December, 2021 Nammo AS had a cash credit receivable towards our subsidiary Nammo Defence Germany GmbH at a total of NOK 115.8 million. At year-end we performed an impairment test and concluded that this asset is impaired, hence the amount is written down in full at year end (of which NOK 109.2 million was written off as of December 31, 2020). The write-down is related to a cash credit receivable, and therefore the write-down is classified as other financial expenses in the profit and loss.

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Report and Index

Namme

INDEPENDENT AUDITOR'S REPORT



Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Nammo AS

Opinion

We have audited the financial statements of Nammo AS (the Company), which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company and the Group comprise the balance sheet as at 31 December 2021, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company and the Group as at 31 December 2021 and their financial performance and cash flows for the year then ended in accordance with the the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and Chief Executive Officer) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern

INDEPENDENT AUDITOR'S REPORT



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and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 22. March 2022
ERNST & YOUNG AS

Anders Gøbel
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been prepared for information purposes only.)

GRI CONTENT INDEX

This report has been prepared in accordance with the GRI Standards (2021). The consolidation approach used for calculating emissions is financial control. The content provided in the report is to the best of our knowledge the most correct information available.

Statement of use: Nammo Group has reported in accordance with the GRI Standards for the period January 1, 2021 to December 31, 2021.

GRI 1 used: GRI 1: Foundation 2021

Applicable GRI Sector Standard(s): None

Disclosure	Location	Requirement(s) omitted																																																																																																																																						
GRI 2: GENERAL DISCLOSURES 2021																																																																																																																																								
2-1	Organizational details	Pages 11, 13																																																																																																																																						
2-2	Entities included in the organization's sustainability reporting	Page 72, as per consolidated financial statements.																																																																																																																																						
2-3	Reporting period, frequency and contact point	Reporting cycle: annually Reporting period: 1/1/2021–31/12/2021 Contact point: info@nammo.com																																																																																																																																						
2-4	Restatements of information	Total GHG emissions and GHG intensity were restated for the 2020 annual period as 26 888 tonnes CO ₂ e and 4.45 kg CO ₂ e/1000 NOK revenue respectively (previously stated in the 2020 report as 25 719 tonnes CO ₂ e and 4.3 kg CO ₂ e/1000 NOK)																																																																																																																																						
2-5	External assurance	This report has not been externally assured.																																																																																																																																						
2-6	Activities, value chain and other business relationships	Pages 11–12, 15–16																																																																																																																																						
2-7	Employees	Total: 2662. Permanent 2564. Temporary 98. See breakdown in table 1 following.																																																																																																																																						
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GRI CONTENT INDEX

Disclosure		Location	Requirement(s) omitted
2-8	Workers who are not employees	None	
2-9	Governance structure and composition	Pages 43–45 www.nammo.com/about-us/board-of-directors	
2-10	Nomination and selection of the highest governance body	Pages 43–45 www.nammo.com/about-us/board-of-directors	
2-11	Chair of the highest governance body	Page 44	
2-12	Role of the highest governance body in overseeing the management of impacts	Page 45	
2-13	Delegation of responsibility for managing impacts	Pages 44–45	
2-14	Role of the highest governance body in sustainability reporting	Page 45	
2-15	Conflicts of interest	Page 46	
2-16	Communication of critical concerns	Page 46	
2-17	Collective knowledge of the highest governance body	www.nammo.com/about-us/board-of-directors	
2-18	Evaluation of the performance of the highest governance body	Page 45	
2-19	Remuneration policies	Pages 77–78	
2-20	Process to determine remuneration	Page 77	
2-21	Annual total compensation ratio		Requirement(s) omitted: Not reported Reason: Information unavailable/incomplete Explanation: To be reported in 2022
2-22	Statement on sustainable development strategy	Page 4	
2-23	Policy commitments	Page 21	
2-24	Embedding policy commitments	Pages 52–53 www.nammo.com/about-us/our-responsibility	
2-25	Processes to remediate negative impacts	Pages 47–48, 62	Requirement(s) omitted: a), c), d) & e) Reason: Information unavailable/incomplete Explanation: To be reported in 2022
2-26	Mechanisms for seeking advice and raising concerns	Pages 46–47 www.nammo.com/wp-content/uploads/2021/05/Human-Rights-Policy.pdf	
2-27	Compliance with laws and regulations	Page 49	
2-28	Membership associations	Nammo is a member of the National Defense Industrial Associations in Sweden (SOFF), Finland (AFDA), Norway (FSi), Spain (TEDAE), US (NDIA). In the Nordic countries the associations have several working groups within divers areas such as trade compliance, ethics and anti-corruption, industrial cooperation, cybersecurity, technology etc.	
2-29	Approach to stakeholder engagement	Pages 21–22	
2-30	Collective bargaining agreements	Page 52	

GRI CONTENT INDEX

Disclosure		Location	Requirement(s) omitted																		
GRI 3: MATERIAL TOPICS 2021																					
3-1	Process to determine material topics	Page 21																			
3-2	List of material topics	Page 20																			
Economic performance																					
GRI 3: Material Topics 2021																					
3-3	Management of material topics	Pages 66–100																			
GRI 201: Economic Performance 2016																					
201-1	Direct economic value generated and distributed	<p>Value generated: - Revenues: NOK 6 036 million</p> <p>Value distributed: - Payroll expenses: NOK 1 867 million - Other operating costs: NOK 3 605 million - Net interest cost: NOK 35 million - Other financial income(-cost): NOK 19 million - Income taxes: NOK 126 million - Paid dividends: NOK 96 million*</p> <p>Value retained: - NOK 288 million</p> <p>*] dividends paid in 2021</p>																			
201-2	Financial implications and other risks and opportunities due to climate change	Page 31																			
Anti-corruption																					
GRI 3: Material Topics 2021																					
3-3	Management of material topics	Page 50–51																			
GRI 205: Anti-corruption 2016																					
205-2	Communication and training about anti-corruption policies and procedures	Page 51																			
205-3	Confirmed incidents of corruption and actions taken	Page 50																			
Anti-competitive behavior																					
GRI 3: Material Topics 2021																					
3-3	Management of material topics		Requirement(s) omitted: Not reported Reason: Not applicable																		
GRI 206: Anti-competitive Behavior 2016																					
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Nammo has not been subject to any investigations, fines, or sanctions in 2021 relating to any ethical breach or incidents of corruption of laws or regulations.																			
Energy																					
GRI 3: Material Topics 2021																					
3-3	Management of material topics	Pages 27–29																			
GRI 302: Energy 2016																					
302-1	Energy consumption within the organization	<p>126 GWh. See breakdown in table 2 following.</p> <table border="1"> <thead> <tr> <th>Table 2</th> <th>kWh consumed</th> </tr> </thead> <tbody> <tr> <td>Fuel oil</td> <td>7 719 541</td> </tr> <tr> <td>Natural gas</td> <td>4 082 011</td> </tr> <tr> <td>Diesel and petrol</td> <td>697 708</td> </tr> <tr> <td>Bio fuel</td> <td>7 009 430</td> </tr> <tr> <td>Other fuel</td> <td>135 014</td> </tr> <tr> <td>Electricity</td> <td>81 725 293</td> </tr> <tr> <td>Heating</td> <td>24 589 850</td> </tr> <tr> <td>Total</td> <td>125 958 847</td> </tr> </tbody> </table>	Table 2	kWh consumed	Fuel oil	7 719 541	Natural gas	4 082 011	Diesel and petrol	697 708	Bio fuel	7 009 430	Other fuel	135 014	Electricity	81 725 293	Heating	24 589 850	Total	125 958 847	
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GRI CONTENT INDEX

Disclosure	Location	Requirement(s) omitted
Water and effluents		
GRI 3: Material Topics 2021		
3-3	Management of material topics	Page 29
GRI 303: Water and Effluents 2018		
303-1	Interactions with water as a shared resource	Page 29
303-2	Management of water discharge-related impacts	Page 29 The Nammo Group does not have internally developed water quality standards or guidelines; we adhere to national and local requirements at each of our sites. No sector-specific standards are currently considered. The profile of receiving waterbody is considered where required by national or local regulation.
303-5	Water consumption	Total water consumption: 1 791 341 m ³ Requirement(s) omitted: b) – d) Reason: Not applicable
Emissions		
GRI 3: Material Topics 2021		
3-3	Management of material topics	Pages 27–28
GRI 305: Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	Scope 1 emissions: 3 791 tCO ₂ e Consolidated approach for emissions: financial approach. Emission factors: DEFRA Conversion Factors 2021. GWPs: based on the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4) over a 100-year period.
305-2	Energy indirect (Scope 2) GHG emissions	Scope 2 location based emissions: 14 379 tCO ₂ e Scope 2 market based emissions: 29 499 tCO ₂ e Grid mix emissions factors from GHG Protocol Calculation Tool 2021, AIB Residual Mix and AIB Production Mix. For district heating emissions factors national factors have been applied, or where not available, European average has been applied for European countries. Consolidated approach for emissions: financial approach. GWPs: based on the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4) over a 100-year period.
305-3	Other indirect (Scope 3) GHG emissions	Scope 3 emissions: 1 116 tCO ₂ e Scope 3 emissions include business travel, waste and water consumption. Consolidated approach for emissions: financial approach. Emission factors: DEFRA Conversion Factors 2021. GWPs: based on the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4) over a 100-year period.
305-4	GHG emissions intensity	Page 28
305-5	Reduction of GHG emissions	Page 28

GRI CONTENT INDEX

Disclosure	Location	Requirement(s) omitted
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Waste

GRI 3: Material Topics 2021

3-3	Management of material topics	Page 29
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GRI 306: Waste 2020

306-1	Waste generation and significant waste-related impacts	Scrap metal from manufacturing processes is the largest source of waste generation within the Nammo Group. Wherever possible, the metal scrap is returned to the original manufacturer in order to recycle it into new raw materials. Scrap metal is primarily generated by our own activities and then sent back upstream to the original manufacturer to recycle and incorporate into new raw materials.																																
306-2	Management of significant waste-related impacts	Nammo is currently working with a Norwegian consulting firm, in order to incorporate Life Cycle Analysis (LCA) into our product research and development (R&D) processes in an effort to identify how our activities impact the value chain, both up and downstream. Two projects that are currently in early phases of development are being examined as pilots in order to learn how to best integrate LCA into the R&D processes. Nammo sites manage their own waste generation, but often utilize third parties to dispose of waste that cannot be recycled or reused. These third parties are screened for compliance with legislative obligations. Nammo Sites report the total quantities of hazardous, metal, cardboard, paper, wood, plastic and residual waste generated along with its final disposition to include recycling, combustion with energy recovery, combustion without energy recovery, landfill or other form of final disposition. Reporting is conducted annually in January/February to provide the data required in to disclose on GRI 305 and 306.																																
306-3	Waste generated	See breakdown in table 3 following. <table border="1" data-bbox="564 1081 1219 1429"> <thead> <tr> <th>Table 3</th> <th>Hazardous waste (kg)</th> <th>Non-hazardous waste (kg)</th> <th>Total (tonnes)</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>777 375,7987</td> <td>10 338 656,08</td> <td>787714</td> </tr> <tr> <td>Recycling</td> <td>376 301,3636</td> <td>9 372 863,322</td> <td>385 674</td> </tr> <tr> <td>Preparation for reuse</td> <td>2 181</td> <td>29 550</td> <td>2 211</td> </tr> <tr> <td>Combustion with energy recovery</td> <td>18 030,72727</td> <td>580 698,9</td> <td>18 611</td> </tr> <tr> <td>Combustion without energy recovery</td> <td>211 374,0714</td> <td>356</td> <td>211 374</td> </tr> <tr> <td>Landfill</td> <td>127 363,5455</td> <td>271 607,7564</td> <td>127 635</td> </tr> <tr> <td>Other</td> <td>42 125,09091</td> <td>83 580</td> <td>42 209</td> </tr> </tbody> </table>	Table 3	Hazardous waste (kg)	Non-hazardous waste (kg)	Total (tonnes)	Total	777 375,7987	10 338 656,08	787714	Recycling	376 301,3636	9 372 863,322	385 674	Preparation for reuse	2 181	29 550	2 211	Combustion with energy recovery	18 030,72727	580 698,9	18 611	Combustion without energy recovery	211 374,0714	356	211 374	Landfill	127 363,5455	271 607,7564	127 635	Other	42 125,09091	83 580	42 209
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306-5	Waste directed to disposal	See breakdown in table 3.																																

Supplier environmental assessment

GRI 3: Material Topics 2021

3-3	Management of material topics	Pages 54–55
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GRI 308: Supplier Environmental Assessment 2016

308-1	New suppliers that were screened using environmental criteria	Currently, strategic new suppliers are screened using reputational risk criteria, incorporating environmental performance reputation.
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GRI CONTENT INDEX

Disclosure	Location	Requirement(s) omitted
Occupational health and safety		
GRI 3: Material Topics 2021		
3-3	Management of material topics	Pages 36–38
GRI 403: Occupational Health and Safety 2018		
403-1	Occupational health and safety management system	Page 37
403-2	Hazard identification, risk assessment, and incident investigation	<p>The HESS management system allows for the identification and evaluation of hazards, which in turns aids us in determining risks and proposing mitigating actions. Monthly reports are collected from all sites. Hazard analyses are reviewed any time there is a change in procedure, equipment, raw materials or staffing to evaluate possible effects to the overall risk picture. Each site is required to review risk analyses every five years if no changes have been made (with some countries requiring reviews more frequently).</p> <p>The quality and competence of the personnel carrying out risk analyses is assured by annual site assessments conducted by the Group HESS director and continuing training conducted during the HESS Forums and Lean Six Sigma Yellow/Green/Black Belt training.</p> <p>Annual reviews during HESS site assessments and Group wide quarterly safety council meetings are used to evaluate and continually improve the occupational health and safety management system.</p> <p>Workers can report work-related hazards and hazardous situations at any time. The specific process varies based on the size and complexity of the site; several sites have automated systems, while some of the smaller sites use a paper based system and then track the reports via an Excel Sheet. Reports are reviewed by HESS staff with support from Lean Six Sigma Green/Black Belt certified staff as necessary based on the complexity of the identified hazard. Workers can also submit reports anonymously via the Nammo Group SpeakUp reporting system in Europe, and a similar system in the United States called Ethics Point. Reprisals against whistleblowers are explicitly prohibited as stated in our Code of Conduct.</p> <p>Each site has its own system and policies in accordance with national regulations regarding how to report work-related hazards and hazardous situations, instructions for workers to remove themselves from potentially hazardous situations, and access to non-occupational medical and healthcare services.</p> <p>Lost Time Injuries (LTI) are reported to the Group HESS director using an accident report template requesting information about the root cause analysis and actions taken at the site to prevent reoccurrence of similar hazards. High-potential near misses and accidents are shared throughout the company via a "Safety Flash" format to summarize facts and findings about a particular incident to promote organizational learning.</p>
403-3	Occupational health services	All employees engaged in the handling and storage of potentially hazardous substances receive annual physical checkups to monitor any changes that could result from working in proximity to such substances. This is part of Nammo's efforts to ensure occupational health and safety.
403-4	Worker participation, consultation, and communication on occupational health and safety	<p>Annual seminars with relevant personnel and management are organized to review incidents in order to identify trends and develop risk mitigation strategies as well as raise the HESS staff's general level of knowledge.</p> <p>Each site has its own form of HESS committee or Safety Council that meets regularly. Employee representatives participate in these meetings to ensure that production staff members' input is heard in order to contribute to the overall site occupational health and safety culture. Results from these meetings are shared openly.</p>

GRI CONTENT INDEX

Disclosure	Location	Requirement(s) omitted
403-5	Worker training on occupational health and safety	Page 38
403-6	Promotion of worker health	<p>The scope of services varies widely based on the national laws and regulations in each of the nine countries in which the Nammo Group operates. Non-occupational medical and healthcare services are provided for all full-time Nammo employees while non-Nammo employees services are in accordance with services provided by the company for which they are employed.</p> <p>Employee Assistance Programs (EAPs) also vary widely based on the national laws and regulations in each of the nine countries in which the Nammo Group operates. All Nammo employees are made aware of the EAPs available in their country during the onboarding process and via annual internal communication efforts. Examples of EAPs include general wellness programs, smoking cessation, mental health screening, and physical exercise to promote joint health.</p>
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Nammo's employees are exposed to health and safety risks related to handling energetic materials, mechanical manufacturing, heat treatment, chemical surface treatment, and assembly operations. Health, Environment, Safety, and Security (HESS) matters always have the highest priority, even if there is a conflict with other business objectives.
403-8	Workers covered by an occupational health and safety management system	<p>All workers, permanent and temporary are included in the HESS Reporting System of the Nammo Group.</p> <p>Number of employees who are not employees whose work and/workplace is controlled by Nammo, who are covered by our management system: 89 out of 2 799; 3,2%; internal audits are completed annually at each Nammo production site by the Nammo Group HESS Director. In December of 2021, the Nammo Group had 2799 employees. All sites are audited regularly by their national authorities, such as the Occupational Health and Safety Administration (OSHA) in the United States and the Arbeidstilsynet in Norway. 744 employees (26.9%) worked at sites that are certified in accordance with ISO 45001 Occupational Health and Safety Management System.</p>
403-9	Work-related injuries	<p>Pages 36–37</p> <p>Zero fatalities</p> <p>Number of high-consequence work-related injuries: One; partial amputation of a finger at Nammo Vihtavuori due to a crushing injury while attempting to clear a blockage from a propellant cutting machine. The injury was reported the Finnish Occupational Health and Safety authority and the investigation and corrective actions are complete.</p> <p>Regularly review risk analyses in accordance with national/local regulations, safety walks/site level and corporate level HESS assessments, increased use of root cause analysis techniques for all accident, near-miss and hazardous conditions reports. Regularly review risk analyses in accordance with national/local regulations, safety walks/site level and corporate level HESS assessments, increased use of root cause analysis techniques for all accident, near-miss and hazardous conditions reports.</p> <p>Main type of work-related injury: Ergonomic related injuries that resulted in minor finger, hand or back injuries.</p> <p>Total number of hours worked: 4 982 538</p> <p>The Nammo Group calculates injury rates based on lost work days per 1,000,000 hours worked.</p>
403-10	Work-related ill health	<p>Requirement(s) omitted: Not reported Reason: Information unavailable/incomplete Explanation: To be reported in 2022</p>

GRI CONTENT INDEX

Disclosure	Location	Requirement(s) omitted
Supplier social assessment		
GRI 3: Material Topics 2021		
3-3	Management of material topics	Pages 54–55
GRI 414: Supplier Social Assessment 2016		
414-1	New suppliers that were screened using social criteria	Currently, strategic new suppliers are screened using reputational risk criteria, incorporating social performance reputation.
414-2	Negative social impacts in the supply chain and actions taken	None
Customer health and safety		
GRI 3: Material Topics 2021		
3-3	Management of material topics	Requirement(s) omitted: Not reported Reason: Information unavailable/incomplete Explanation: To be reported in 2022
GRI 416: Customer Health and Safety 2016		
416-1	Assessment of the health and safety impacts of product and service categories	There were no incidents of non-compliance concerning the health and safety impacts of our products and services. Health and safety requirements are specified in product contracts.
Corporate governance efficiency		
GRI 3: Material Topics 2021		
3-3	Management of material topics	Pages 43–45
NDI1		
a.	Number of group wide procedures (i.e. code of conduct, procurement policy)	Page 21
b.	Number of group wide trainings (i.e. share of employees receiving training on code of conduct)	Page 51
Cyber security and proprietary information		
GRI 3: Material Topics 2021		
3-3	Management of material topics	Page 53
NDI2		
a.	Description of approach to identifying and addressing data security risks.	Page 53
Business partner due diligence		
GRI 3: Material Topics 2021		
3-3	Management of material topics	Pages 54–55
NDI3		
a.	Discuss processes and due diligence procedures for assessing and managing risks relating to business ethics that it faces associated with business partners.	Page 55
b.	Discuss areas of that are at the highest risk for corruption and bribery occurrences, such as those operations in countries with low rankings in Transparency International's Government Defence Anti-Corruption Index.	Page 50

GRI CONTENT INDEX

Disclosure	Location	Requirement(s) omitted
Business ethics		
GRI 3: Material Topics 2021		
3-3	Management of material topics	Pages 49–52
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	Total amount of monetary losses as a result of legal proceedings associated with incidents of corruption, bribery, and/or illicit international trade	Page 50

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COMMUNICATION
ON PROGRESS



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.