

ONE VOICE

ONE NAMMO
ACHIEVEMENTS
SYNERGIES
GROWTH

nammo

Licensed to export

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

All Nammo products are always developed in close cooperation with the individual national customers, and the group's sales and marketing must always be in accordance with the national authorities' export regulations. We need an export license for every single component that is shipped out of the production site. Nammo's vision is Securing the Future. This is also about building a sustainable business both for the customers and the employees, with a strong focus on safety and security. Being a trustworthy company is crucial for an industry like Nammo's.

One Voice

One Company – One Team

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

Nammo's Values

Dedication

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

Precision

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

Care

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

Nammo in brief

The Nammo Group, headquartered in Raufoss, Norway, is a technology driven aerospace and defense group specializing in high-end products.

Core business

The core business of the Nammo Group is the development, testing, production and sale of military and sport ammunition, shoulder launched weapons systems, rocket motors for military and space applications and leading global services for environmentally friendly demilitarization.

Customer base

As a technology driven aerospace and defense group, the majority of Nammo's business is with the national armed forces or the national defense industries in the countries where we operate. The remaining portion of the company's business is

comprised of commercial sales of services and sports and security products.

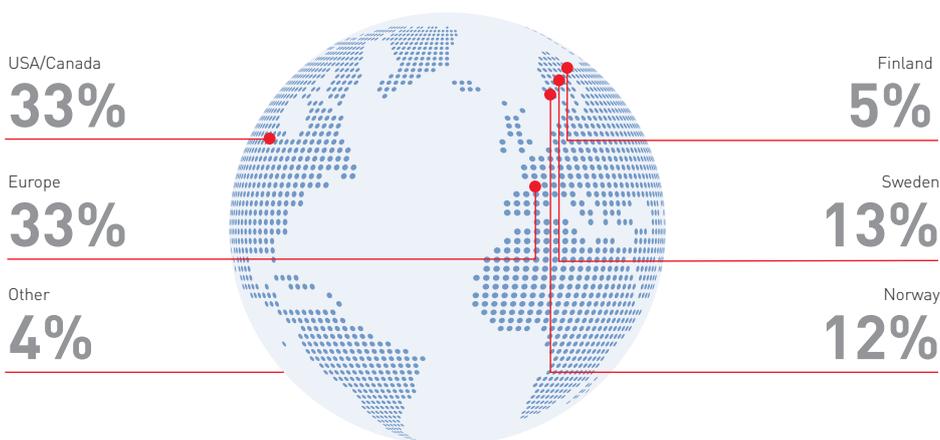
Organization

Nammo is present in eight countries with a total of 18 production sites and sales offices. The group operates through its five business units: Small Caliber, Medium & Large Caliber, Missile Products, Demil and Nammo Talley.

Ownership

The Nammo Group's shareholders are the Norwegian Ministry of Trade and Industry (50%) and the Finnish Defense and Aerospace Group, Patria Oyj (50%).

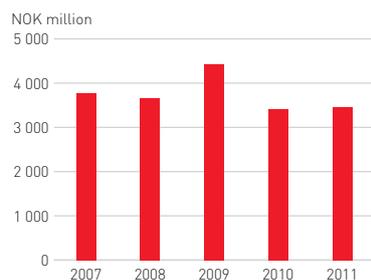
Sales per region



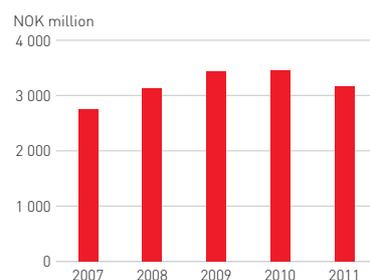
Key figures

(NOK 1 000)	2007	2008	2009	2010	2011
Order stock	3 769	3 662	4 437	3 410	3 460
Sales	2 745	3 130	3 439	3 448	3 165
Earnings before interest and tax (EBIT)	390	390	407	435	427
Net income before tax (NIBT)	361	375	410	433	435
Net profit of the year	259	268	268	280	290
Total assets	2 527	3 087	2 906	2 906	2 988
Total equity	877	1 171	1 161	1 305	1 480
Total liabilities	1 641	1 901	1 726	1 575	1 480
Average man years	1 659	1 785	1 872	1 940	1 876
Economic value added (EVA)	198	181	178	212	151
Return on sales (ROS)	13.1 %	12.0 %	11.9 %	12.6 %	13.7 %
Return on equity (ROE)	31.7 %	30.5 %	22.9 %	24.2 %	22.2 %

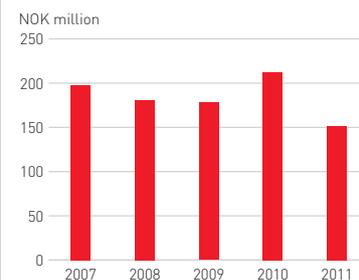
Order stock



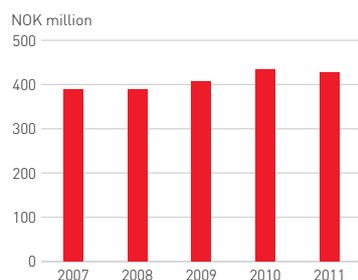
Sales



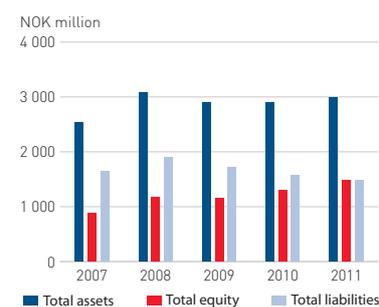
Economic value added (EVA)



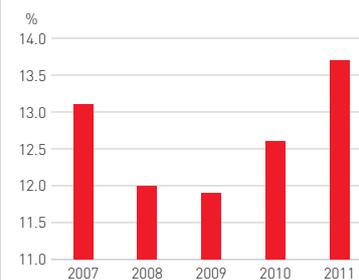
Earnings before interest and tax (EBIT)



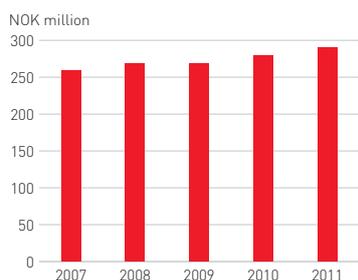
Assets, equity and liabilities



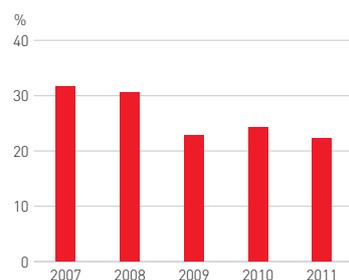
Return on sales (ROS)



Net profit of the year



Return on equity (ROE)



Average man years

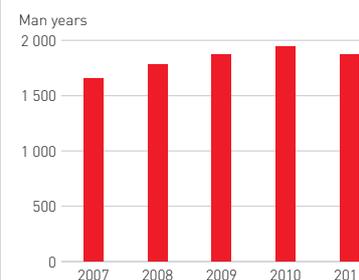


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Important notice: If there are any diverging information between the English translation of Nammo's annual report and the Norwegian edition, the Norwegian edition will be the pre-vailing and legal version.

Reaching new heights

ONE NAMMO
SYNERGIES
ACHIEV
ONE VOICE



As we started 2011, we knew that we were entering into an even more competitive market than we have experienced over the last 5-6 years. Defense budgets around the world were starting to decline due to an overall weaker economy in several countries. I am therefore happy to report another very good result for Nammo reaching a net income before tax of NOK435 million, giving 13.7% ROS. Our sales, however, was down by 8% from the previous year, mainly due to the strong NOK and a few postponed programs. We experienced

no loss in market share, and order intake was slightly higher than sales. The outlook for 2012 is good but we still have some mountains to climb.

Nammo is well positioned for future growth in a market that will continue to be even more challenging. Growth will be both organic and through acquisitions. The company has a defined and agreed growth strategy, in which we pursue opportunities first and foremost within existing markets.

Technology is paramount to a company like Nammo. Our R&D activity will therefore remain at the highest possible level so that new solutions can emerge and existing products can become even better. Developing smarter and more affordable products and solutions is our main goal.

We will continue to improve our operations, with the focus on improved processes and flawless production, while improving our ability to secure new contracts and increase our sales in a shrinking market. Our wish is always to do better tomorrow than we did today by striving for top performance in every aspect of our business. By working closer together across the different business areas, we can take better advantage of the great synergies within the Group: we all need to talk with One Voice.

Our company culture is based on precision in everything we do, with an underlying understanding that continued improvement is the

key to future success. It is a matter of taking one firm step at a time. We have created a team that has very high ambitions, first and foremost for the collective good of the company as a whole, but also for their own personal development within the company.

Corporate social responsibility remains a focus area. Our goal is to show local and social responsibility and consistently maintain and improve our reputation as a highly respected company in the defense area. We strive for the absolute highest standards in the area of health and safety. We have also signed the UN Global Compact and we are improving our GRI reporting year by year, reporting in the same way across geographical borders and functional divisions.

For us the customer will always remain our primary focus. We are absolutely dedicated to satisfying end-user needs and operational requirements. With state of the art solutions, we will provide soldiers with the best tool whenever they need it in their most demanding missions, thus securing all our futures.

Together, the Nammo team will continue to climb new mountains as we strive to reach new heights

Edgar Fosheim
President & CEO

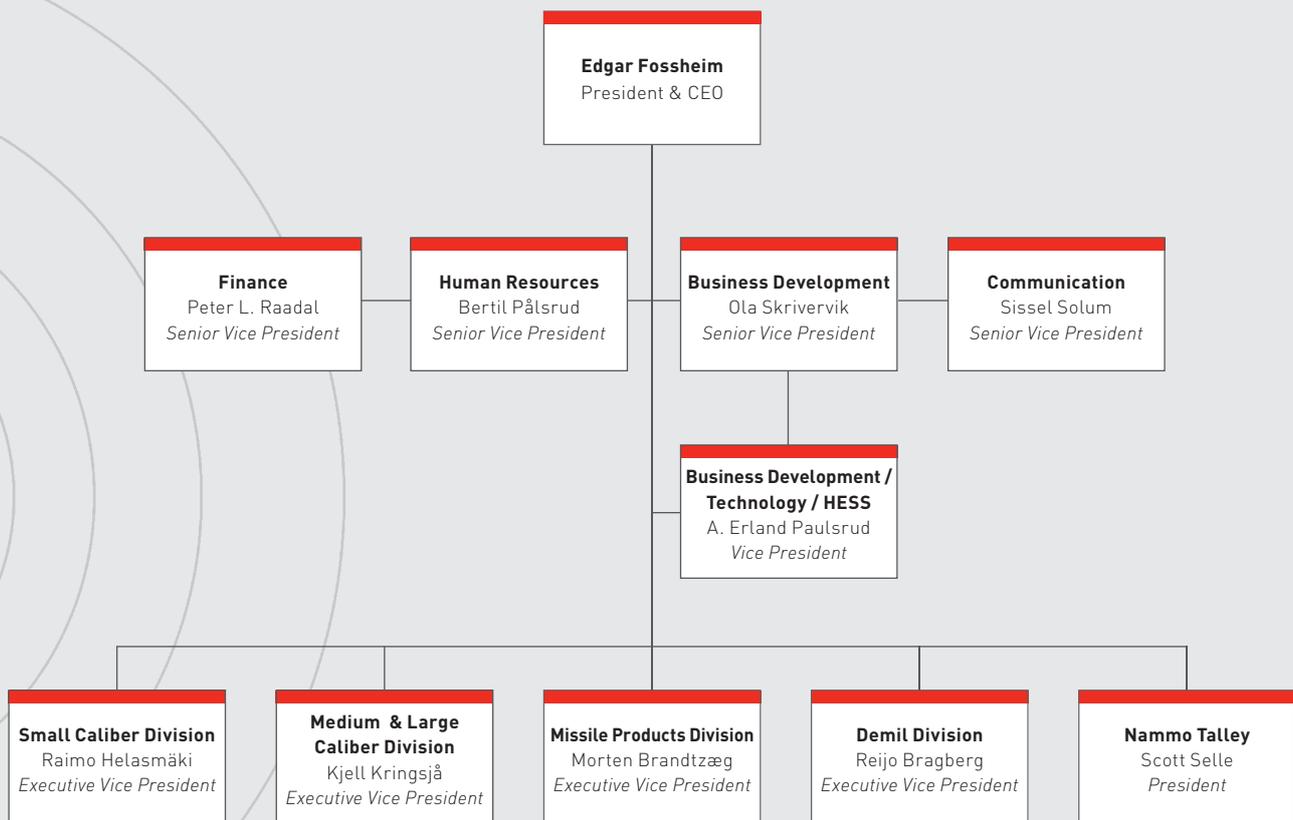
Business

- Hybrid rocket motor technology demonstration contract signed with the European Space Agency.
- The Norwegian MoD approved the financial part funding for the AMRAAM development contract.
- The Norwegian MoD approved the funding of a multi-year joint Nammo/FFI ammunition and rocket motor technology program starting up 2012 and ending 2016.
- Teaming agreement signed with Thales Australia for cooperation on APEX, the new generation of aircraft ammunition.
- 7.62 mm AP M993 & 5.56 mm AP M995 five-year contract signed with the US Army.
- Important M72 A6 contract with Australia signed.
- Canada buys M72 and 120mm IM-HE-T and TP-T.
- Contract award from the Japanese government to dispose of MLRS M26 system, CBU's and 155mm artillery cargo rounds.
- Major contract awarded to Nammo for development and production of an improved case for BGM-71 TOW missile system.

Organization

- Successful product demonstration of small, medium and large caliber ammunition in Finland with guest from the Nordic armed forces.
- Scott Selle was appointed new President of Nammo Talley.
- Nammo Composite Solutions Inc, opened their new design and manufacturing facility in Salt Lake City, Utah.
- Successful MP symposium at Raufoss with focus on Nammo product technologies and demos. 250 guests from 25 countries.
- Nammo became main sponsor for the women's national ski jumping team in Norway.
- Establishment of Nammo Tactical Ammunition LLC, with a world-class manufacturing center for sport and specialty ammunition in Mesa, Arizona.
- Start-up of one year e-learning course on ethics for all employees.
- Increased ownership in Nammo PressTec from 60% to 65%.
- Launch of the "One Nammo" initiative. Internal improvement program for the entire Nammo Group.

How we are organized



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

Nammo operates through its five business units: Small Caliber Division, Medium & Large Caliber Division, Missile Products Division, Demil Division and Nammo Talley.

The CEO is responsible for the day-to-day management of the Group. The responsibility and financial commitment are outlined in the shareholders' agreement. The CEO is supported by his corporate staff that is responsible for implementing and following up on directives and tasks, while also working closely with the leaders of the five business units.

Nammo's international scope is also reflected in its operational organization. The business units' head offices are located in four separate countries. Three of these units have production facilities situated among several of the eight Nammo countries.

Raising awareness

Nammo is a market leader with regards to the disposal and demilitarization of conventional ammunition and explosive products, in terms of market understanding, technological requirements and environmental issues.

Achievements

In addition to the ongoing general market challenge, namely raising awareness and willingness to increase the demilitarization budget within the defense industry, the global economic climate has further affected our customers.

However, despite a very difficult market situation at the beginning of the year, we have signed a number of long-term contracts, both with existing customers, but also with new customers.

Demilitarization of cluster munitions for Japan

In August 2011, Nammo was awarded the contract to demilitarize a number of cluster munitions on behalf of the Japanese ministry of defense in a program that will conclude February 2015. The cluster munitions due for disposal under this program include the MLRS M26 system, CBU's and 155mm artillery cargo rounds.

Nammo will carry out the work in the company's demilitarization facilities in Norway and in Germany.

Investments in production line

In 2011 Nammo has further invested in automating the production line for the destruction of cluster munitions. One of the challenges has been to improve productivity by increasing the speed

of the lines in Buck, Germany. The production targets were reached, the machines have been modified and the processes as well as the integrated control systems have been upgraded.

Human resources development

Upgrading the production line in Buck raised the level for technical requirements and competence of the employees with regards to control and IT systems and automation in general. Key people have received specific and targeted training and three leaders were recruited internally.

Thinking life cycle support

In order to succeed, we need to be more successful than our competitors. That means a stronger understanding of the customer, listening to them more attentively, asking them additional, in-depth questions - including plans regarding their existing aging product portfolio. The defense authorities around the world have a wide range of needs within the life cycle of their products: from upgrading, purchasing and usage to demilitarization. We can fulfill these needs by offering our customer complete life cycle support.

To end the harm caused by cluster munitions

The Convention on Cluster Munition was adopted in Dublin by 107 states on 30 May 2008 and signed in Oslo on 3 December the same year. 68 states are party to the convention, which became binding international law when it entered into force on 1 August 2010. By 20 September 2011, a total of 111 states have joined the convention, as states parties or signatories. See www.clusterconvention.org.

Core business

Disposal and demilitarization of conventional ammunition and explosive products.

Locations

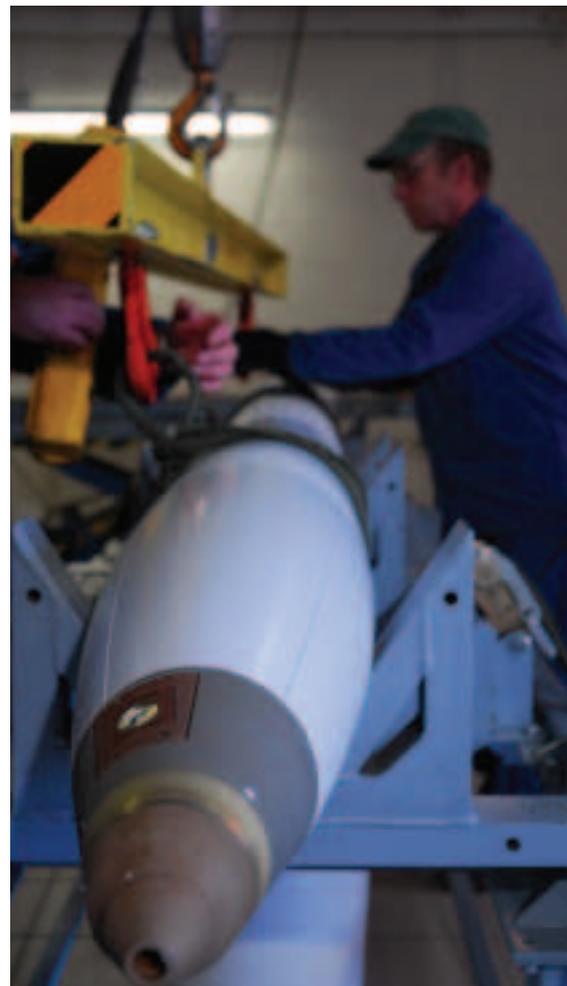
- Nammo Vingåkersverken (Vingåker, Sweden)
- Nammo Demil Division (Vingåker, Sweden)
- Nammo Buck (Pinnow, Germany)
- Nammo NAD (Løkken Verk, Norway)
- Nammo Demil (Arlington in Virginia, USA)

Employees

Around 100 at year end.



See examples of demilitarization processes developed and offered by Nammo by scanning this with the aid of QR scanning apps.



Small Caliber Division

World class niche player



Core business

A leading supplier of niche technology and products. The extensive product range includes combat and premium projectiles, cartridge technology and commercial brands ranging from 4.6mm to 9.3mm ammunition.

Locations

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

Employees

Approximately 500 at year end.

The Small Caliber Division is one of the world's leading suppliers of niche technology and products, serving both the military and the civilian market.

The customers around the world include defense forces, competition shooters and hunters, as well as law enforcement authorities.

Securing contracts

The military market accounts for approximately 65% of the volume of the Small Caliber Division. In August, the US Army, after one year of suspense, finally resumed an ID/IQ contract with an important volume of armor-piercing ammunition.

Securing contracts with our military home markets, where contracts are generally negotiated for a four year period (two compulsory, two or three optional), remains a focus area for Nammo.

In 2011, focus has been on acceptance tests of armor-piercing contracts for important deliveries with short lead times. A demanding task with regards to production planning. Despite shift of deliveries and changes in the production line, excellent results were achieved.

Extensive testing

In April, pursuant to the ruling of the Norwegian Labor Inspection Authority, the Norwegian Armed Forces were forced to temporarily stop the usage of lead-free ammunition in combination with the HK416, due to health related problems.

Nammo's lead-free ammunition product counts for a significant amount of deliveries to the Norwegian Army. During the last year the newly

developed version of the product has undergone rigorous testing. The final result was successful.

The civilian market

Nammo supplies the civilian market with small caliber ammunition for top sport shooting, including Olympic prone and Biathlon, special purposes, reloading and hunting. This market, where the shooter counts only hits, requires ammunition with absolutely precise accuracy that operates reliably under any conditions.

Three new types of the Scenar^L bullet – the most accurate bullet in the world – were developed. Under this development, every step in the production process of how to manufacture a bullet was carefully evaluated and reconsidered. The result is a high margin, top quality product, 30 per cent more accurate than the competing products.

There is also an increased demand for lead-free, solid copper bullet ammunition for hunters, where Nammo is mainly focusing on the Nordic market and Germany.

Across divisions

Cross-divisional cooperation within a number of functional areas is a focus area going forward, with regard to people development, sales training, knowledge sharing and technology development. One important achievement has been a cross-divisional development of a high quality cartridge case for .50 caliber products and, in cooperation with a supplier, producing cups for both the Small Caliber Division and the Medium and Large Caliber Division.

Medium & Large Caliber Division

Nammo equals quality

The Medium and Large Caliber Division covers a broad range of combat and training ammunition for army, navy and air force applications.

Solid order backlog

The Division was exceptionally well positioned entering into 2011, with full order books and a broad range of ongoing R&D, technology and product improvement programs.

The market segment is characterized by extensive product development processes in close collaboration with the customers. During the year we successfully finalized the product qualification of the 40mm RF programmed airburst ammunition. We conducted the first series production of the 120mm ammunition for the Norwegian armed forces and delivered the 40 mm RF programmed air burst ammunition for the very first time in the history of our company, to the Canadian armed forces.

The Division boasts an excellent production year of M72 to existing customers and, in long lasting cooperation with Nammo Talley, to the US market.

The Division showed good results, despite minor technical challenges with a few new products entering into the series production phase. In addition, in close discussions with existing customers, some orders were postponed into early 2012 in order to adjust to the capacity on the production lines.

People development

There is a strong focus on building and strengthening future competence. In

2011, the main training program was in FAR/ITAR, based on US contract requirements.

Two vital positions were filled by external expertise, and in parallel the Talent Factory continues to be a successful internal training program, positioning key personnel for individual development.

Thinking synergy

Exploiting individual market understanding and the technological base across all divisions is part of pursuing Nammo's growth strategy. Thinking one company and taking out synergies internally, as well as externally with suppliers, is a focus area. Internal sourcing is one example, where we utilize other business units, like the Small Caliber Division, who has the capacity and the production capability to supply the Medium and Large Caliber Division with specialized cartridge cases to the benefit of both Divisions.

Outlook

Nammo is a specialized, niche player, operating in a market where defense

Core business

High performance medium and large caliber combat and training ammunition for army, navy and air force applications.

Locations

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

Employees

Approximately 650, at year end.

budgets, due to the global financial situation, are undergoing major reductions in order to be in line with national budgets

The company is pursuing a growth strategy, focusing on organic growth with new products. Nammo is well positioned for this strategy, with a profound customer understanding and cooperation as well as a solid in-house engineering competence and know-how.



Nammo Talley

Industry-leading technology

Core business

Four product lines: 66mm and 83mm shoulder launched weapons, composite solutions and energetic materials systems.

Locations

The company's headquarters and primary operating location is in Mesa, Arizona.

Additional production units are:

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

Employees

Around 355 at year end.

Nammo Talley develops, manufactures and supports shoulder launched weapons; carbon composite structures, and energetic material solutions such as aircrew emergency escape systems, cartridge and propellant actuated devices, rocket motors and warheads.

Transforming for growth and efficiency

During 2011, Nammo Talley successfully implemented several significant value-adding change initiatives across the enterprise.

Following a relocation to a larger and more modern new facility, Nammo Talley's Composite Solutions business unit won a major competitive award for the development and manufacture of a redesigned case for the Army's BGM-71 TOW missile.

Nammo Talley also implemented an organizational restructuring that combined its manufacturing, logistics, materials planning and purchasing processes into one Integrated Supply Chain (ISC) organization. This structural evolution will reduce waste and streamline the flow of inventory from suppliers through internal operations to customers.

Nammo Talley also deployed a revitalized Six Sigma continuous improvement program that was a key driver in the business' ability to increase return on sales profitability by more than 22%.

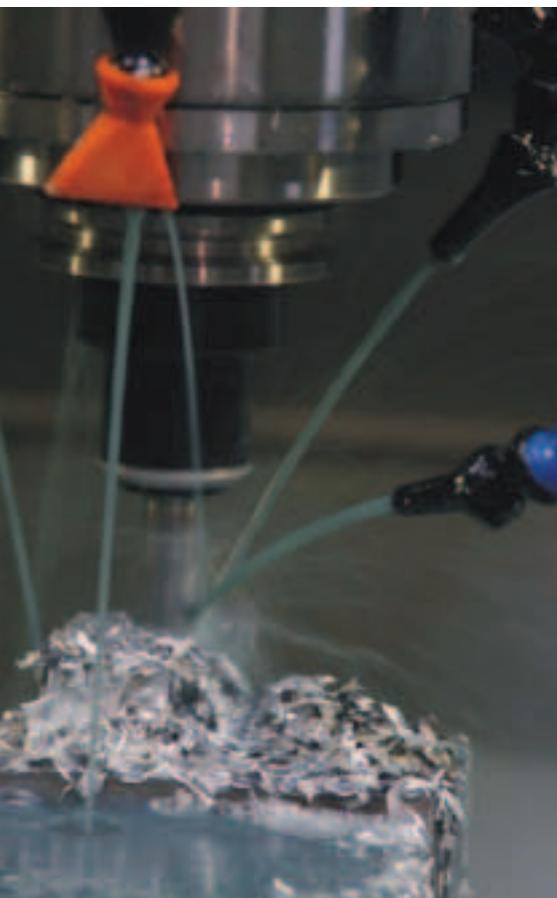
Product development highlights

After an extensive multi-year design and development effort, Nammo Talley delivered the first prototypes of the innovative Mark 205 Serpent Multi-purpose Assault Weapon (SMAWII) system launcher to the US Marine Corps. Testing by Nammo Talley and the customer will continue throughout 2012. Also in 2011 Nammo Talley teamed with Crimson Trace Corp., a leading developer of laser sights for commercial and military firearms, to field an advanced laser sighting system for M72 LAW.

Proactive response to evolving market dynamics

Nammo Talley responded rapidly to preliminary signs of strengthening in non-military markets by increasing output for carbon composite tubes used in niche commercial products such as high end camera tripods and high-performance aftermarket motorcycle components. While a very small portion of overall sales, commercial products will assist Nammo Talley's ability to deliver growth through uncertain defense budget cycles.

Finally, Nammo Talley's organizational restructuring included definition and staffing of a new product line called Energetic Material Solutions (EMS) to improve the ability to capture opportunities as sub-contract supplier to other defense industry prime contractors, especially for missile products.



Missile Products Division

Customer-centric organization

The Missile Products Division develops and produces advanced rocket motors, serving the most demanding rocket motor segments in air-to-air, ground-to-air and space applications.

Competitive advantage

Nammo is an independent player and, contrary to all competitors, not owned by a missile prime and therefore has the ability to provide cost-effective high performance solutions to both European and US customers.

The company has leading technologies in design and manufacturing, light weight Thrust Vector Control (TVC) systems, hybrid rocket motors and warheads. With in-house design as well as production and testing capabilities, the result is one of the shortest times-to-market in the industry.

Well positioned

At the start of the year, due to the global financial situation, some of the potential new contracts in Europe were delayed. This led to a marginally lower profitability and a slight adjustment in the number of employees.

Simultaneously, 2011 saw the start-up of a 75 million NOK investment program for a new production facility for rocket motor cases. The new plant will serve multiple rocket motor programs and is planned to be operational in late 2012.

The continuous improvement programs are a major contributor to our success. There is a strong focus on development time and first time success. Production deviations were reduced substantially

and a new work process involving the production environment in the design phase has been implemented. During 2011, the costs for quality loss were reduced by half.

The development of a new warhead made substantial progress during 2011. The electronics now survive a g-force of more than 50 000.

The development work on hybrid rocket motors with thrust management, low smoke signature and environmentally friendly exhaust gases are attracting interest from the European Space Agency (ESA), and Nammo is contracted to demonstrate a landing module for the Moon or Mars early in 2013 at Raufoss, Norway.

In full, on time, on spec

The missile market is highly competitive and the number of competitors are few and well supported by their governments. During 2011 we have reinforced our presence on vital programs in the US and we have secured a new European contract.

Nammo is a customer-oriented company, enjoying a good reputation with our customers, being a responsive player with a transparent attitude, always delivering on time, to the right quality and to the agreed price.

One company culture

Improving business opportunities across divisions is a focus area within Nammo. It is all about understanding cultural differences and establishing a mindset where cross-divisional teamwork is the preferred way of creating a common understanding.

Core business

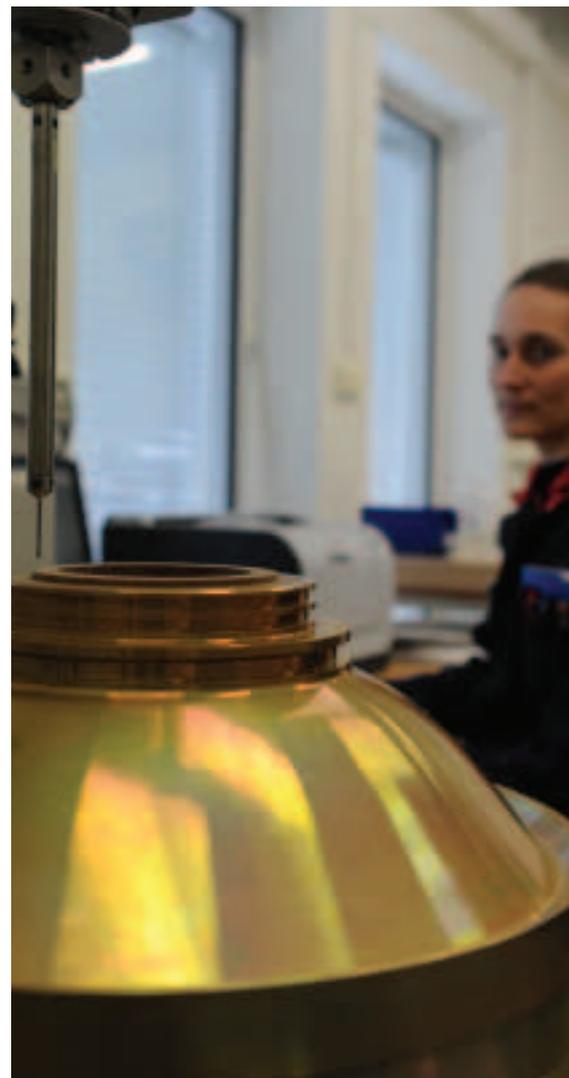
The Division is a leading supplier of advanced rocket motors for missile and space applications. The product portfolio also includes high performance warheads.

Locations

Nammo Raufoss (Raufoss, Norway)

Employees

Around 180 at year end.



Corporate social responsibility

Corporate social responsibility is a hard-edged business decision. Not because it is a nice thing to do or because people are forcing us to do it, but because it is good for our business.



Demilitarization by Nammo.

Companies that manage their social responsibility in a progressive manner ensure that this becomes an integral part of their corporate governance. This means that this responsibility must be secured to line management and monitored continuously by top management and the board. Nammo is an industrial group that will do its utmost to be a trusted and respected employer in the local community. The overall goal of our social responsibility is to visualize the responsibility taken by the company on a daily basis.

The "One Nammo" initiative launched in 2011 will also be an important tool to continuously develop and improve the company's corporate social

responsibility (CSR) performance. This program involves every part of Nammo and is based on a common performance management culture built on a common understanding of our vision and values.

Every year the state owner, the Norwegian Ministry of Trade and Industry, meets with all partly state-owned companies to evaluate and discuss how CSR results and reporting communicate with the overall standards set by the owner. The ambition is that all state-owned companies shall be at the forefront of corporate social responsibility, with particular focus on health and safety, the working environment, ethics, anti-

corruption, gender equality, adaption, research and development, integration and career opportunities and security. Nammo is loyal to this ambition.

The aim of this report is to ensure our stakeholders that corporate social responsibility is an integral part of our business. In 2011, we have taken further steps to improve our reporting of GRI standards and to highlight the diversity of Nammo's activities to strengthen its reputation as a serious participant within its business area. Last year, Nammo formally committed to the UN Global Compact.

The CSR chapter is organized into three sections: the environment, people and society.

Environment

Nammo's commitment to the environment is an important part of being a responsible player in the industry. The focus is on high quality products, a safe workplace and minimal impact on the local and global environment. Nammo earns its license to operate every day.

The management and employees of Nammo must take a firm and unequivocal position regarding the environment. To achieve this, Nammo employees are educated and trained in the company's standards and annual goals. The "One Nammo" initiative will also have an effect on how each site will perform and communicate its environmental activities.

The HESS (Health, Environment, Safety & Security) manager visits every site every year for a health and safety, environmental and security audit. The policies and regulations are discussed and targets and plans for the next year are set. Each unit must report on incidents and accidents, its security standards, how training is organized and the results of risk analyses and contingency planning. Relevant environmental issues are covered by this audit, which is combined with an inspection of the factory area.

“We earn our license to operate every day.”

*HESS Manager
Sigmund Sofienlund*

Nammo has a direct impact on the environment through the production and testing of ordnance products and



services, the consumption of water, paper and energy, waste management, procurement and transport methods. All areas are covered in this report's tables (see pages 12-13).

Nammo's ambition is that all industrial operations shall be environmentally friendly and satisfy the requirements of ISO 14001 certification, or similar standards. Legislation and regulations are adhered to and considered to be the minimum requirements.

Energy saving program

Nammo continuously works to reduce energy consumption at every

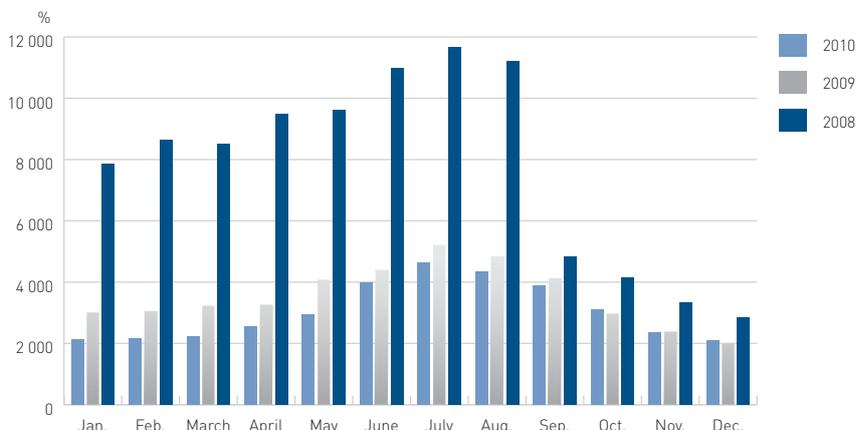
site and is dedicated to the use of renewable energy wherever this is possible. The energy-saving program is implemented at all sites. Nammo Talley, Arizona, is one example of how our sites commit to save energy and reduce their carbon footprint.

In many parts of the world, electric power is normally based on fossil fuels (oil or coal). Burning fossil fuels generates harmful gases, which are emitted into the atmosphere. Even cleaner sources, such as nuclear power, wind farms and solar panels, have some impact on the environment.

Nammo Talley is committed to minimizing its carbon footprint (the complete picture of greenhouse gas emissions caused by an organization). The mission was to reduce energy consumption while improving operations. Performance goals were set for pollution prevention in the Mesa, Arizona facilities. As a result of this, two of our plants have undergone significant changes over the last three years. These changes have resulted in substantial energy reduction and cost savings.

At the beginning of the project, Plant 1 baseline power usage was approximately 7,766 kilowatt-hours per day. The goal was to vastly reduce energy usage while maintaining sufficient lighting. In late 2008 and early 2009, 27 skylights were installed in the warehouse portion of Plant 1. This allowed natural sunlight to minimize the demand on our lighting systems. With an average of 211 cloudless days per year in Arizona, this just made sense!

Mesa Plant 1 average KWh per month



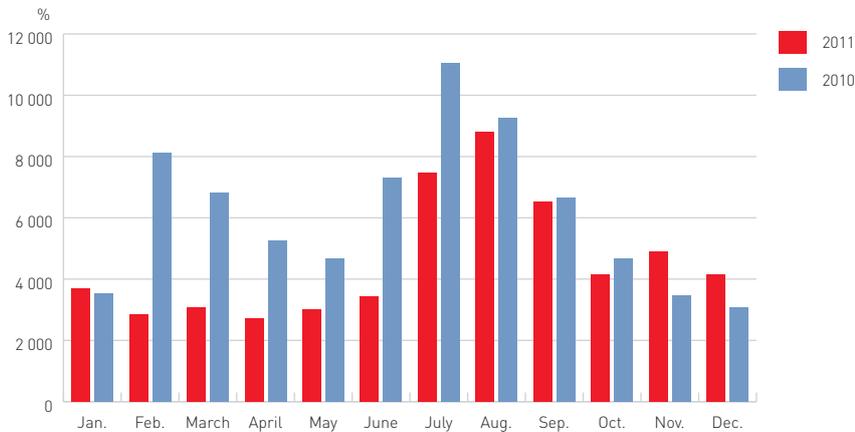
In addition to the skylights, 325 inefficient metal halide light fittings (458W each) were replaced with 150 high-efficiency, high-output T5 fluorescent fittings (229W each). As shown in figure 1, these changes resulted in an average daily reduction of 4,730 kWh (60%). Within three years of starting the project, we are using less than half the energy.

In 2010, Nammo Talley embarked on a similar project for Plant 2. We have retrofitted 330 older, inefficient light fittings with premium T8 fluorescent fittings. As shown in Figure 2, our improvements are again demonstrating substantial energy reductions!

Environmental reporting 2011

Locations	Country	Energy consumption (kWh)				Water consumption (l)	
		Current year		Goal next year		Current year	Goal next year
		Fossile	Renewable	Fossile	Renewable		
Nammo Raufoss AS	Norway	4 703 604	22 490 396	4 503 600	22 400 000	219 336	210 000
Nammo NAD AS	Norway	0	1 314 880		1 900 000	1 114	2 000
Nammo Bakelittfabrikken AS	Norway	336 929	580 168	400 000	660 000	292 000	320 000
Nammo Vingåkersverken AB	Sweden	6 935 150	NA	NA	NA	NA	NA
Nammo LIAB AB, Lindesberg	Sweden	NA	5 584 000	NA	5 300 000	3 091	NA
Nammo Vanäsverken AB	Sweden	4 310 000	4 402 000	4 200 000	4 400 000	23 302	21 000
Nammo LIAB AB, Björkborn	Sweden	NA	5 926 000	NA	5 800 000	1 803	NA
Nammo Lapua Oy, Lapua	Finland	0	9 222 928	0	NA	22 268	NA
Nammo Lapua Oy, Vihtavuori Site	Finland	4 213 757	645 414	4 150 000	650 000	350 000	400 000
Nammo Talley Inc., Columbus	USA	244 178	NA	NA	NA	513	NA
Nammo Talley Inc., Mesa	USA	8 040 910	NA	7 880 092	NA	13 752	13 064
Nammo Talley Inc., Davidsville	USA	133 969	0	NA	NA	NA	NA
Nammo Composite Solutions, LLC	USA	207 280	NA	NA	NA	1 691	NA
Lapua GmbH	Germany	1 346 038	0	1 330 000	0	2 420 000	2 400 000
Nammo Buck GmbH	Germany	2 559 964	0	2 303 967	0	7 546	7 470
ND PressTec GmbH	Germany	0	NA	NA	NA	14 294	NA
Nammo MTH SA	Switzerland	NA	NA	NA	Na	NA	NA

Mesa Plant 2 average KWh per month



On the purely economic side, our local utility company provides rebates to help fund these projects. The rebates have resulted in a less than two-year return on investment. Plant 1 rebates total USD 28,000 and Plant 2 rebates total USD 10,800, which translate to a 40% and a 35% return on investment respectively.

REACH for health and the environment

Nammo is committed to complying with the REACH regulation. REACH is a European regulation for chemicals and products manufactured, produced, imported or used in the EU-EEA area. The REACH regulation is intended to ensure a high level

of protection of human health and the environment, as well as the free movement of chemicals, while enhancing competitiveness and innovation.

Manufacturers and importers of substances (as REACH calls chemicals) have to register their substances through the European Chemical Agency in Helsinki, Finland. Information concerning the health and environmental effects of the substances and the risks connected to their use has to be provided.

Nammo AS is mainly a down-stream user of substances and compounds. We have pre-registered and registered substances we are importing according to the regulations. We continuously follow up on substances listed on the candidate REACH list. It is vital to follow this closely, since substituting constituents in items we produce is time consuming.

Locations	Waste (kg)					
	Current year					
	Dangerous goods	Cardboard	Paper	Woodwork	Residual waste	Plastics
Nammo Raufoss AS	120 438	38 250	8 854	52 132	95 837	7 121
Nammo NAD AS	1 279		1 050	2 910	22 500	0
Nammo Bakelittfabrikken AS	227	9 210	0	5 620	11 380	2 800
Nammo Vingåkersverken AB	NA	NA	NA	NA	NA	NA
Nammo LIAB AB, Lindesberg	3 550	19 730	1 910	56 620	3 280	5 755
Nammo Vanäsverken AB	111 521	15 180	5 250	80 940	42 810	940
Nammo LIAB AB, Björkborn	17 020	110	1 296	4 500	10 630	0
Nammo Lapua Oy, Lapua	22	6	3	NA	40	NA
Nammo Lapua Oy, Vihtavuori Site	1 197	0	200	0	12 510	0
Nammo Talley Inc., Columbus	0	NA	NA	NA	165	NA
Nammo Talley Inc., Mesa	9 726	370	43	336	544	NA
Nammo Talley Inc., Davidsville	68	0	0	0	292	NA
Nammo Composite Solutions, LLC	0	NA	NA	0	292	NA
Lapua GmbH	7 000	1 000	500	2 000	7 000	300
Nammo Buck GmbH	83 420	224 500	80 000	49 006	113 820	58 920
ND PressTec GmbH	42	6	NA	8	7	5
Nammo MTH SA	106	725	NA	30	NA	30

All Nammo sites have personnel who are trained and dedicated to handling this task, and they ensure that our business is run according to the regulations.

Nammo promotes compliance with ITAR

Compliance with the International Traffic in Arms Regulations (ITAR) is a business imperative for companies in the munitions and aerospace industries.

ITAR, the US government's regime to control the flow of US origin defense technologies, plays an important role in day-to-day operations within the Nammo Group.

Nammo's commitment to implementation of routines to comply with ITAR and the other regulations that control the transfer of sensitive technologies creates a culture of compliance within the Nammo Group, as well as with Nammo's suppliers, partners and customers.

Compliance reduces risks associated with violations of ITAR: the risk of possible diversion of sensitive technologies and also the risk of losing market share due to non-compliance and censure.

Threat awareness

The global threat scenario is constantly changing. Our industry is very well aware of this and has therefore developed procedures to ensure that those of our products that contain explosives do not go astray.

There are increasingly stringent rules to limit the supply of chemicals that can be used to make bombs. The EU has, as an element of the fight against

terrorism, adopted an ordinance that places restrictions on who can gain access to substances and preparations containing 16 percent by weight or more of nitrogen from ammonium nitrate.

Through the EEA agreement and the REACH regulation, a restriction on the sale of ammonium nitrate was adopted as part of Norwegian law on 17 November 2011. Efforts to restrict access to material that can be used to make explosives have been going on for a long time.

The terror attack in Norway on 22 July 2011 has raised the issue to a much greater extent in Norway. The new rules ban the sale of ammonium nitrate with 16 percent or more of nitrogen from ammonium nitrate for other than professional users. Examples of these are blasting companies, farmers and others with a genuine need in their activities, such as gardening or greenhouse growers.

There are also requirements for safe storage and transport. Buyers must provide documentary evidence that they are professional users with legitimate needs. Nammo companies follow national rules for security in terms of explosives or chemicals used in the manufacture of our products. Security is also on the agenda at the annual HESS audits of our individual sites. Nammo companies have a high level of security.

Lead-free environment

When the Norwegian Armed Forces adopted a new assault rifle, a number of health issues were reported in connection with firings of the lead-free ammunition on indoor shooting ranges.

An investigation done by FFI (Norwegian Defense and Research Establishment) showed increased levels of copper and zinc when using Nammo lead-free ammunition in comparison with traditional lead ammunition. The health issues consisted of irritated airways, coughing, fever, cold sweats, headache, nausea and body pain.

Shortly after the first report of health complaints appeared at the end of 2008, Nammo and FFI started to develop a new ammunition with the design objective of minimizing health risk. The goal was to continue fulfilling the applicable military specifications, while producing a projectile with greater performance. Various combinations of powders, primers and projectiles were evaluated in relation to emissions and ballistic performance.

Design objectives covered requirements such as accuracy, terminal ballistics and barrel erosion. A large number of test firings took place with the different designs at FFI and Nammo. One of the designs was finally selected and evaluated through live firings on indoor and outdoor ranges.

The health risk for the user is minimized by the reduction of emissions, with copper and zinc emissions not higher than that of the 5.56 mm NATO SS109. Nammo has started delivery of the ammunition. Initial user feedback tells us that the ammunition functions perfectly. The improved ammunition has been given



the design number NM 255 by the Norwegian Armed Forces.

The development of new defense products usually takes up to ten years, but in this case, it took only one third of that time.

Norwegian politicians and the Chief of Defense have been behind the initiative to replace lead ammunition, for the benefit of the soldiers and the environment. We have been highly motivated by this initiative. This has also meant that we have succeeded in developing the new version of the ammunition in record time

Flags for air quality

To increase awareness about air quality in Maricopa County, where Nammo Talley is located, a program was introduced a year ago to mark the changes in airflow through the day. This was done with flags, so that the employees were also able to see how

they could affect air quality. A green flag means good air quality, moderate quality is shown by yellow, and a red flag means poor air quality. Each color is accompanied by advice on what to do. The red flag indicates that outdoor activities should be restricted for particularly sensitive people. The situation should then be monitored throughout the day; if conditions improve, the flag color is changed to yellow or green.

Nammo Talley is committed to our environment and wants to encourage its employees to do their share. The following are a few of the recommended things we all can do: Drive less - whenever possible, walk, ride a bike, carpool, van pool or use public transportation. Consolidate errands and avoid waiting in long drive-thru lines at coffee shops, fast-food restaurants or banks. Park your car and go inside. Refuel your vehicle after dark (or in the cooler

evening hours). Minimize the use of gas-powered equipment. Minimize usage of wood-burning fireplaces and chimneys.

Putting this into practice, Nammo Talley participates in the (Arizona) Maricopa Area Government trip reduction program. There is a commitment to reducing single occupancy vehicular (SOV) trips as much as possible, not just in Arizona but also in all locations.

All employees are encouraged to carpool to and from work or to utilize alternate modes of transportation. We provide car pool parking spaces and bicycle racks in Arizona.

Nammo Talley management encourages every employee to enter into this program enthusiastically, with knowledge of our commitment to improving our environment.

People

“The “One Nammo” initiative shall contribute to making all employees proud to be a part of the Nammo group.”

SVP Human Resources, Bertil Pålsrud

A united Nammo – One Voice

We are continuously increasing our focus on people. We work hard at finding the right way to motivate our employees, as well as giving them the opportunity to use their knowledge and capacity to the full. Our intellectual competence is our most important asset. That is why we want to highlight the work and potential of every single employee.

Together, we shall live the Nammo vision: Securing the Future. To help bring this about, the management of Nammo decided to establish the One Nammo initiative.

“One Nammo” was launched in 2011 and will continue through 2012 and onwards. It involves every single unit and employee. “One Nammo” means more consistent and uniform business, endorsing the one-company and talking with One Voice.

In recent years, Nammo has experienced rapid growth through the acquisition of existing businesses. This has spurred the effort to establish a common culture based on our company’s values. Whatever part of Nammo you work in, you should recognize and feel the single Nammo culture.

We have now a set of internal tasks to be performed across division and across borders. “One Nammo” will provide even greater flexibility, strengthen the identity of the company internally and externally and ultimately contribute to increased competitiveness.

In the industry in which we operate, there is intense competition, and customer requirements are changing from country to country. To stay at the forefront, we have a clear focus

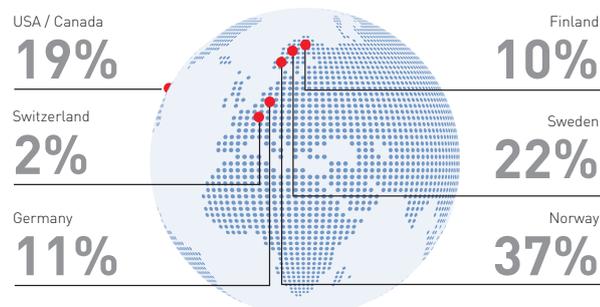
on innovation, precision and new technology and we appreciate the value of the people who make up our organization.

Human resources

Nammo is committed to ensuring diversity in the Group. Providing equal opportunities for all employees is a key element of the human resources policy. This dedication to equal opportunity fuels our ambition to recruit more women into the company. Traditionally, our company and the industry as a whole have been male dominated. We continue to promote Nammo as an attractive workplace for women, and we also make sure that female employees join our management training programs such as Talent Factory and the Nammo Forum. The Talent Factory has existed for 8 years now and is a leadership program with 15 to 20

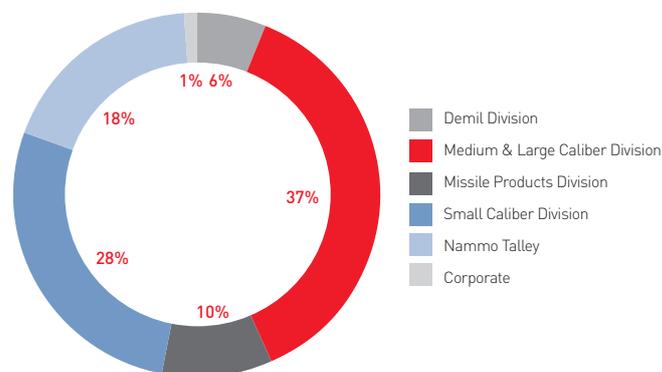
Employees per country

Total number of employees in average = 1 920



Employees per business unit

Total number of employees in average = 1 920





selected candidates participating in five learning modules during one year. The Nammo Forum is the annual kick off for the company with about 120 participating key persons from all 8 countries.

Women account for 29.5 percent of the employees. Activities to encourage female graduates to join the company will continue to be an important endeavor in the future.

Nammo does not tolerate any discrimination on the basis of gender, race, religion, national or ethnic origin, cultural background, social group, disability, family status, age or political views. The process of recruiting personnel must, however, be performed in accordance with the national security authorities in the respective countries. We encourage all Nammo subsidiaries to pursue this aim in order to ensure diversity within the company.

Health and safety

Nammo focuses on proactive work, risk analysis, accident prevention

plans, training and education. Every year, our managers hold seminars with the health and safety, environment and security personnel, in order for Nammo to develop best practice within these areas and also with regard to terror threats and other security issues.

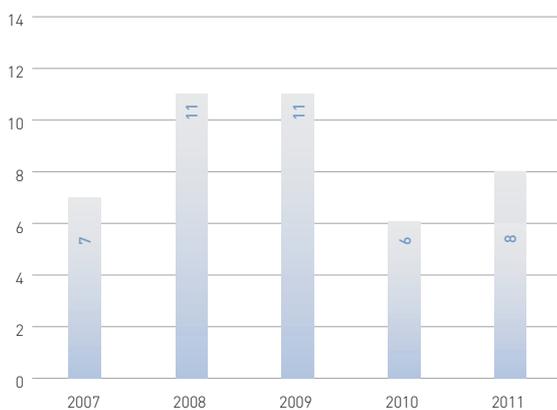
Sick leave among Nammo's employees was at an average of 4.6 percent for 2011 (4.0 for 2010 – see table below)

The low and stable rate of long-term sick leave is an indication that our employees enjoy their work.

Various activities, such as workplace improvements, measures to secure a good, healthy working environment, protective equipment and physical training, have been given attention by the management. There were 28 accidents resulting in employees being absent from work at Nammo in 2011,

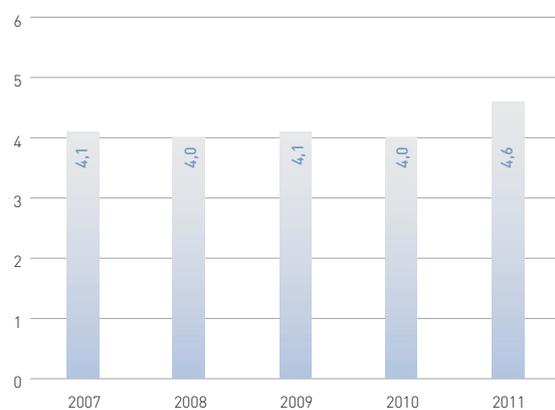
H-value in Nammo 2007-2011

H-value: Number of accidents with absence pr. million working hours



Sickness absence in Nammo 2007-2011

Sickness in %



representing an H-value (number of accidents resulting in absence per million working hours) of 8 (6.0 in 2010). This gives an F-value (number of days off due to accidents multiplied by one million and divided by number of working hours) of 177 (72 in 2010), which indicates that the most frequent types of accidents are minor.

Most of the injuries are to fingers or hands as a result of handling materials or machinery. Another type of frequent injury is from falls on icy or slippery ground. The Group will continue its preventive work in all areas and maintain a particular focus on conditions for employees.

Education and training

All Nammo locations have their own annual education and training schedules related to health and safety, environment and security. Once a year, Nammo organizes a Forum for all employees involved in these issues. Based on the One Nammo initiative, the goal is to unify these programs.

In 2011, Nammo continued the EU-Excert partnership program and worked to establish a transferable certificate of explosives competence.

The training needs of the entire community of explosives workers will be aligned with the required competencies.

Our goals

Our goals for 2012 regarding health and safety & security are to:

- Reduce the number of accidents with and without days off
- Improve the quality of reporting on incidents and accidents
- Meet the requirements of internal audits
- Increase the frequency of incident reporting by 10 percent
- Improve the number and quality of risk analyses with a focus on accident prevention for personnel

IT security

Nammo has increased its focus on IT security over the years and uses e-learning to establish and promote the company's IT directives, which are updated on a regular basis. Awareness of security issues in relation to IT and social media is critical. The Group has been exposed to several attempted attacks, but the IT security defenses in place have worked as intended, both to detect and to isolate these attempts.

Our development and products are based on extreme technology that might be of great interest to competitors as well as criminals. A clear focus on security and strict routines are essential. Through experience and training, Nammo employees are accustomed to performing their work at a high level of confidentiality.

Ethical behavior

In its business activities, Nammo must comply with all relevant laws and regulations and act in an ethical, sustainable and socially responsible manner. Nammo does not tolerate the use of forced or child labor. Nammo supports the UN Universal Declaration of Human Rights.

Nammo shall be recognized by its high ethical standards. Nammo also operates consistently within its established ethical code of conduct and supports the Organization for Economic Co-operation and Development (OECD) and its anti-corruption provisions.

Nammo reviews its ethical guidelines on an annual basis and has a proactive approach to these issues, in addition

Education and training within health, environment, safety and security

Number of participants

Country	Health and safety	Security	Environment	e-learning ethical guidelines
Norway	11	11	11	317
Sweden	635	2	409	97
Finland	154	0	2	52
USA & Canada	6	1	6	208
Germany	371	14	6	29
Switzerland	0	0	0	6

to ensuring that the guidelines are implemented and continuously followed in day-to-day operations at all levels of the organization.

Ethical behavior is a natural ingredient of the Nammo company culture.

Ethical code of conduct by e-learning

In October 2011, Nammo introduced the first monthly e-learning course in the company's ethical code of conduct. The course is based on a series of short, theme-based lessons that the participants access from their e-mail inbox. Managers have a particular responsibility to put ethics and the code of conduct on the agenda locally, and to discuss the themes and topics openly with employees and managers.

Whistleblowers

Individuals who come across cases of doubtful ethics and breaches of Nammo's Ethical Code of Conduct shall immediately inform their superior or Nammo's Ethical Committee.

Nammo will not implement sanctions in any form against any individual who, in a responsible manner, informs persons in positions of responsibility

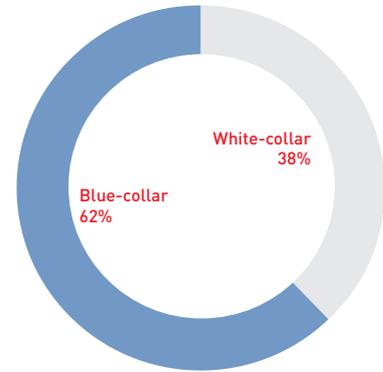
or internal entities about possible breaches of Nammo's ethical guidelines or relevant laws or any other circumstances in Nammo's activities that should be brought to their attention.

Ethical Committee

The Ethical Committee, which consists of three persons from the Nammo Group, holds quarterly meetings. The committee shall ensure a clear focus on, common understanding of, and compliance with Nammo's ethical requirements as well as handling the implementation and follow up of the Ethical Code of Conduct within the Nammo Group.

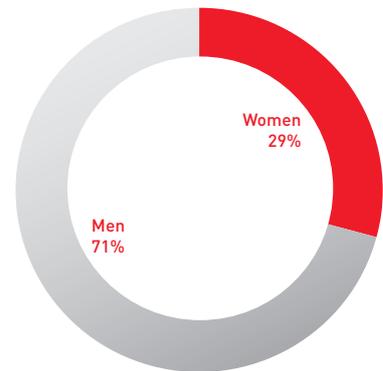
The committee's meetings follow a fixed agenda that is actively updated on ethical issues. The committee reports directly to the President & CEO on the implementation of the company's ethical standards during the year. In 2011, no breaches of the Group's ethical requirements or relevant statutory provisions were reported.

Group distribution between white-collar and blue-collar

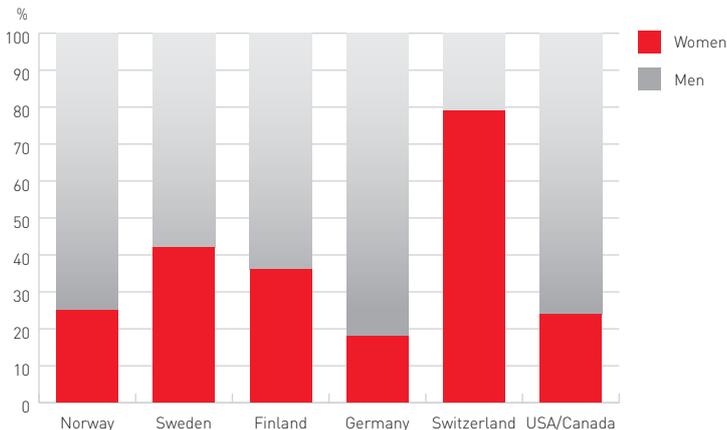


Percentage men vs. women

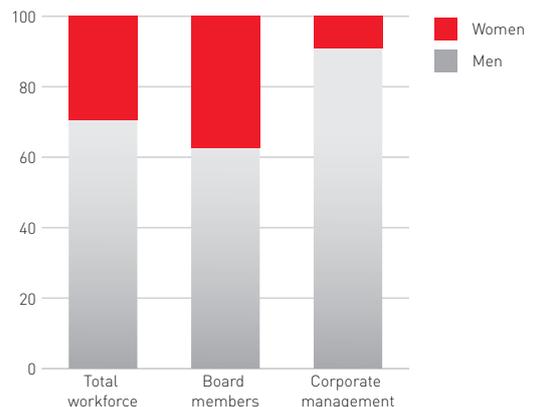
Total number of employees in average = 1 920



Percentage men vs. women per country



Gender percentages



ONE NAMMO ONE VOICE ACHIEVEMENTS

GROWTH

One Nammo – One Team – One Voice

We work together to achieve Nammo's goals. The "One Nammo" initiative involves each and every employee and is an important tool to further develop and improve the company's corporate social responsibility. The initiative has gained great support from our employees. Here are three employee reflections.



Ragnild Waldemar,
Web Editor and Competence Manager

- "One Nammo", to me, is that we consider each other as equal colleagues independent of which site or country you work at. That internally we are all on the same team, trying to make each other better, not competing with each other.

Håkan Haglund,
Production Manager

- To me, "One Nammo" is a philosophy where the management's decisions and actions show their will to power NAMMO to a world-leading group in the industry. The response of each employee shall be to always do his or her best - think and act in the little to improve the big. With the philosophy "One NAMMO," it is like playing in a winning team where my success benefits others, but also other people's success benefits me.



Helén Palm Danielsson,
Manager Finance and HR

- To me, "One Nammo" means that everyone in the organization understands that the work you do is an important part of the whole and that we all work together to achieve Nammo's goals.

ONE NAMMO SYNERGIES DIALOG COOPERATION COMMUNICATION



Maren Lundby from the national ski-jumping team of Norway during the first World Cup for women in Lillehammer 2011.

Society

“We respect and listen to all stakeholders and provide them with facts”

SVP Communication, Sissel Solum

Nammo acts as a responsible corporate citizen, and applies and complies with all laws and regulations set forth by the national authorities. We work hard to live by our values and earn the trust and support of the local communities where we are operating. We recognize the importance of demonstrating our responsible business practices, which are based on our values, policies and guidelines.

Nammo has a shared Norwegian-Finnish ownership, with headquarters in Raufoss, Norway. The Norwegian owner is the Ministry of Trade and Industry, and it follows up state ownership of wholly and partly owned companies not only in terms of economic performance, but also on how the companies implement the government’s ambitions in relation to corporate social responsibility.

Quarterly meetings are held between Nammo’s top management and the authorities, where the company’s CSR performance is presented. The owner’s expectations can be divided into general expectations, and four more specific expectations related to human rights, labor rights and corruption, as well as environmental and climate measures. The government ownership statement outlines how the state practices its ownership and expectations for research, development and diversity.

Nammo performs self-declared reporting on corporate social responsibility areas according to the international Global Reporting Initiative (GRI) standard, in line with the government’s recommendations.

Stakeholder communication

There is a growing interest in the Group’s business, particularly from

Norwegian NGOs and the political landscape. We are approached with campaigns and questions related to export control, end-user certificates, and marking of ammunition. Nammo has an open communication policy toward its stakeholders. We respect and listen to all stakeholders and strive to conduct an open dialogue with the different interest groups, and take into account their viewpoints regarding our work whenever appropriate. We provide facts and keep our processes and results as transparent as possible. We seek to provide truthful and verified information as long as it does not interfere with ordinary business confidentiality.

To support Nammo’s business goals in 2012, we will focus on increasing the level of knowledge about the Nammo Group towards authorities and politicians in all Nammo countries – and society in general.



One Nammo

To act as one company and to communicate based on common facts and information is crucial for the Group's profile and reputation. From a communication point of view, the One Nammo initiative has high priority. Internally, intranet is the basic tool for common, unified information.

To achieve the goals of One Nammo, the intranet will continuously be updated, improved and easy to access.

Corporate communication will be the glue for creating the team spirit across all sites and functions.

A company's reputation is rooted in a professional implementation of a consistent, clear and thorough communication strategy. One important communication task is to encourage employees to comply with the ethical code of conduct; promoting exceptional behavior throughout the whole organization. The communication strategy states that everyone has the responsibility to communicate. With about 2000 employees spread across eight different countries and cultures, it is obvious that the company is dependent on good communication skills, and a

precise, steady flow of information from all management levels.

Responsible citizenship

Nammo's values: dedication, precision and care characterize the company's commitment also beyond the factory gates. We want to be perceived as a good neighbor and employer. Activities that Nammo supports, locally, domestically and internationally, help build a strong common corporate culture. In many cases these activities are closely linked to the company's expertise and competence. This is motivating for our employees and promotes the Nammo brand.

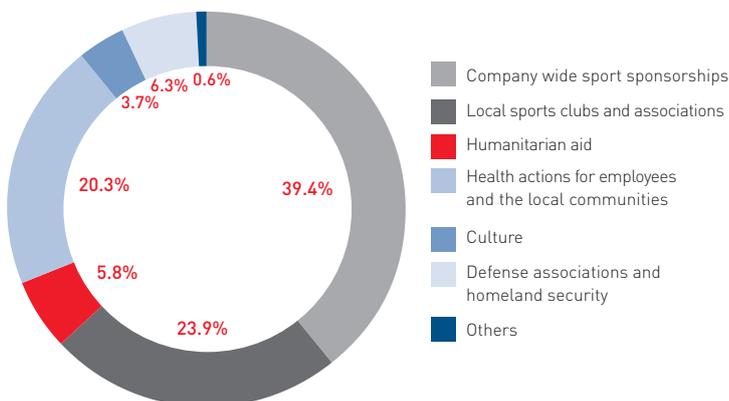
Nammo has always been an active player in and supporter of the communities in which we operate.

Our sponsorship commitments cover many areas. Sports, and especially winter sports, are high on the list. However, we also support humanitarian assistance, health actions for the employees and the community, culture and education, defense organizations such as homeland security associations and military veterans.

Female ski jumping

Nammo has changed its status from sponsor to main sponsor for the Norwegian women's national ski jumping team. This will strengthen the opportunity for branding and a closer collaboration between Nammo and the athletes – an important contribution to efforts in building internal pride with a focus on performance, women and technology. The goal of the sponsorship is twofold. Firstly, a technology project where Nammo will contribute to the development of ski jumping through increased technological expertise and support within aerodynamics. Secondly, Nammo will sponsor the women's national ski jumping team on their way

Sponsoring programs 2011





Tora Berger, Olympic Champion in Biathlon.

towards their first participation in an Olympic competition, in Sochi 2014.

The Norwegian ski jumping team for women has recently seen a breakthrough in their discipline. After many years of lukewarm recognition, the women have been accepted and have achieved a status on par with the men's ski jumping sport. In 2010, when closing the sponsorship deal with the women's national biathlon and ski jumping teams, the intention was both to visualize Nammo's focus on female employees with an ambition to develop their own careers inside the company and to maintain focus on increasing the recruitment of women to the Nammo Group.

2011-2012 marked the first world cup season in history for women ski jumpers. It began on 3 December 2011 in Lillehammer, Norway, where Nammo invited all local employees to the event. To mark this historic occasion, the ski jumpers and their

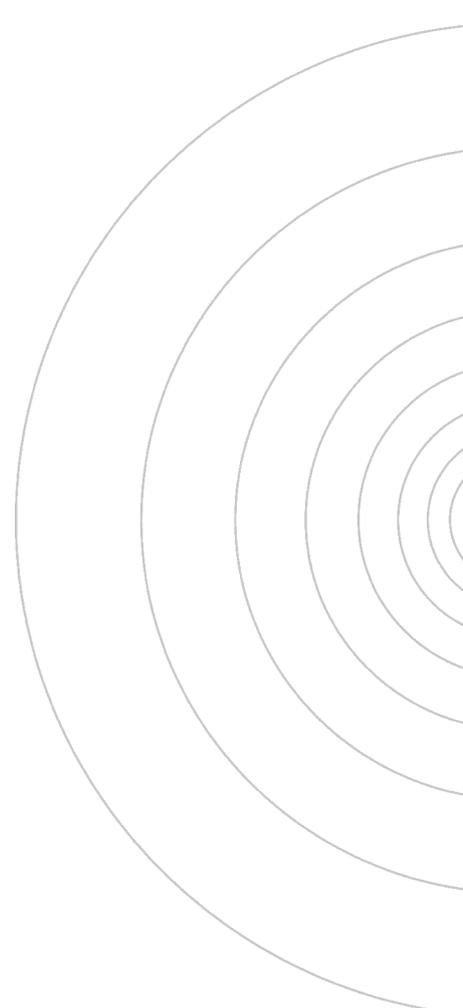
coaches were invited to "the Nammo marquee" to celebrate and to talk about their preparations and their achievements.

Biathlon

In 2010, Nammo entered into a four-year sponsorship with the Norwegian Biathlon Association, promoting the Lapua brand for the women's national team. The sponsorship also includes an annual Lapua scholarship for talented young athletes. Through this sponsorship, Nammo is the primary supplier of ammunition to the national teams of the Norwegian Biathlon Association, with close cooperation towards the Winter Olympics in Sochi in 2014.

Telethon 2011

In 2011, Nammo decided to support the telethon, benefitting Norwegian People's Aid and their efforts to incapacitate land mines and cluster bombs. Nammo demilitarizes cluster bombs by industrialized and safe





Ariane 5.

processes. Norwegian People's Aid perform their work manually out in the field. We know how dangerous and risky this work is. Every day, Norwegian People's Aid detects and removes mines and cluster bombs in 15 different countries. In Nammo we admire the work they do and decided to support this year's telethon with NOK 180 000.

Nammo supports UNICEF

Instead of the annual Christmas gift to the employees, Nammo chose to support UNICEF and their work to help children and improve their safety. The amount donated was NOK 200 000. The decision to support UNICEF was fully supported throughout the entire company.

Nordic military pentathlon

In June 2011 the 50th Nordic Open

Championships in Military Pentathlon was arranged in Lahti, Finland, and Nammo sponsored the competition. The Army Command organized the contest together with the Häme Regiment. 79 male and 46 female competitors and 54 team staff members from 14 different countries participated in the competition. This year's NOMC-contest was a warm-up event for the 58th World Military Pentathlon Championship, which will be held in August 2012. The disciplines are: shooting 300 m (ammunition from Nammo Lapua), obstacle run, obstacle swimming, hand-grenade throwing (from Nammo's Vihtavuori location) and cross-country running.

High tech for the civilian market

Nammo is involved in development programs incorporating advanced

technology solutions for domestic and international markets. Although Nammo is a solid player in the international defense industry, the company also develops technological solutions that benefit society as a whole.

Ariane 5

Ariane 5 is part of the European Aerospace program. Nammo has been involved in Ariane 5 since 1991. The first project was the development of the separation motor FE and safe-and-arm device BSA. Nammo qualified for production and delivery of these two products in 1995, and have since been a regular supplier to Ariane 5. In 2000, Nammo was engaged in the development of the acceleration motor FA, which was qualified for delivery in 2004. Today Nammo delivers separation motor FE (16 on each launch), acceleration motor FA (4 on each launch) and a safe-and-arm device BSA (17 on each launch) to all the Ariane 5 launches. Nammo has a supply agreement on deliveries to 30 Ariane 5 rockets.

Northstar

Nammo is also developing second-generation hybrid engines (Northstar) for small rockets for launching of civilian satellites. Nammo works with Andøya Rocket Range situated in the northern part of Norway. The market for smaller satellites is growing. We are experiencing increased demand for satellites that monitor and report space weather. The Arctic region is particularly interesting. Modern satellites weigh about 250 pounds and are particularly suitable for launch from Andøya.

The European Satellite Agency ESA is a partner to the hybrid engine project. The goal is to conduct a test launch of a rocket in 2014.



Biathlon World Champions Tora Berger and Tarjei Boe on visit at the Lapua GmbH factory.

Extreme conditions testing

Requirements for testing of civilian products are increasing. Advanced testing of material and temperature conditions has been performed within the defense industry for generations. Nammo is pleased that the company's competence and knowledge in the field of extreme testing also can be used for civilian products.

One of Nammo's Test Centers has during 2011 performed tests for the offshore industry, the automotive industry and even for the windmill industry. These are tests such as vibration and shock tests on a 10kV subsea connector, with the aim to reproduce conditions the connector will meet during assembly and life cycle service.

For the automotive industry we have performed, among others, vibration tests on couplings for air brake systems on Trucks. Indirectly, for the automotive industry the Test Center has carried out bonfire and bullet attack tests on LNG (Liquid Natural Gas) containers. For the windmill

industry the company has performed rough handling tests on an electrical 32 kV distribution unit to reproduce conditions that could occur during transport and assembly at sea.

Sea safety products

Nammo's product portfolio also covers safety equipment for the military and civilian markets. Sea safety products complement the military production. The range of products are flares, line throwers and man overboard signals. Sea safety products are sold to more than 100 customers worldwide through an extensive distribution network.

Product responsibility

Nammo's products are mainly exported to NATO and EU countries.

- All exports require an export license from the national authorities.
- Exports to countries that are not NATO members require end-user certification.
- Ammunitions produced by Nammo carry identification that is in compliance with national military standards and/or NATO standards.

In order to evaluate current performance and to select suppliers for future orders, Nammo approaches suppliers with an ATK supplier scorecard. Efforts toward achieving the highest rating possible are encouraged. Materials that arrive at our sites will not be finally noted as received until all required certifications are also in place.

Olympic visit

In August 2011, the Norwegian Olympic champion Tora Berger and the Olympic Champion, World Champion and World Cup winner Tarjei Boe met with the employees in Nammos location Lapua GmbH in Schönebeck. The athletes were given a tour of the factory, which they enjoyed very much. They talked about the importance of high ammunition quality in order to meet their targets and expressed their satisfaction with the Lapua ammunition.

"When these athletes succeed, all employees in Lapua GmbH are proud of their work and feel that they are part of the winning team" said Bertil Pålrsrud, SVP Human Resources, during



The honored Dr.rer.nat. surrounded by his co-workers at Lapua GmbH and one of his Dr. fathers.

the meeting with the employees. The Norwegian biathlon athletes won several medals during the World Cup in 2011.

“We wish Tora and Tarjei all the best, good luck and continued success,” said Managing Director, Kathrin Sondershausen, on behalf of the LAPUA GmbH Team

Strong innovation support

Five players in the region where Nammo is headquartered have raised capital for the commercialization of the company Komm-In AS. In total, a fund of NOK 21.1 million will be used for investing in growth companies. Komm-In is an initiative to gather the best resources within innovation and commercialization in the region. The goal is to provide expertise, capital, infrastructure and networks to add value based on the advantages we have in the region and the network that is developed. The five players are Oppland Fylkeskommune, Sparebanken Hedmark, SIVA, Nammo Raufoss og Raufoss Næringspark.

“Our region has very few environments that actively invest in high risk start-up companies, and therefore the

establishment of the fund had high priority,” says Managing Director, Lars Rognås of Komm-In AS.

Dissertation by Nammo Germany employee

Recently, Raik Deblitz, Nammo Germany GmbH, successfully delivered his apologia for his dissertation on the topic “New energetic materials” at the Otto of Guericke University Magdeburg. He developed and characterized 13 world-new materials in record time. With the best possible predicate “summa cum laude”, the faculty nominated him for the competition of the best dissertations of the year.

A recognition of quality

DCMA (Defense Contract Management Agency) named Nammo Bakelittfabrikken AS 2011’s best Arms, Ammunition & Explosives (AA&E) Supplier in Northern Europe. Quality Assurance Manager, Jan-Ove Bråthen accepted the award on behalf of all the staff. He says that being recognized and appreciated for outstanding quality in both production and delivery by DCMA makes them very proud, and all the production staff have contributed to achieve this.

Unintended promotion

In a product sheet from Nammo, promoting the Group's competence within extended range technology, the Group unintentionally reprinted a former product sheet dated prior to the adoption of the Cluster Munitions Convention. The product sheet shows three different areas of use for extended range technology, whereas one of them displays a cluster munition, based on the fact that this was a legitimate product in the past.

Today this is, of course, a wrong utilization from Nammo's side and all samples of the product sheet were immediately withdrawn during week 39/2011.

The Nammo Group does not produce any components that are specifically developed for cluster munitions nor does the Group participate in any ongoing cluster munitions program whatsoever.

Arms Trade Treaty (ATT)

The global trade in conventional weapons – from warships and battle tanks to fighter jets and machine guns – remains poorly regulated. Many governments have voiced concern about the absence of globally agreed rules for all States to guide their decisions on arms transfers. This is the reason for an initiative to negotiate an Arms Trade Treaty starting with the UN resolution 61/89 in 2006. At the end of 2009 the General Assembly decided to convene a Conference on the Arms Trade Treaty in 2012 "to elaborate a legally binding instrument on the highest possible common international standards for the transfer of conventional arms."

The Arms Trade Treaty may affect all defense industries if it is concluded.



Nammo presenting the principles of Transfer of Technologies from an industry perspective. Meeting organized by UNIDIR in Geneva 14 November 2011.

This is why it is so important that the industry is responsible and takes an interest in participating in and following the discussions of the Treaty. Nammo has participated as an industrial observer representing the Norwegian Defense Industry in cooperation with the Norwegian Government officials. In parallel, Nammo is also part of a working group in ASD (Aerospace and Defense Industries Association of Europe). ASD has issued a number of position papers outlining the industry's support and key industrial objectives for the ATT as well as holding side events for the member states during the ATT Prep Com meetings.

Nammo has in 2011 been invited as speaker to two important sessions.

One session was held by the NGO Saferworld during a side event for the Meeting of Governmental Experts (MGE) on the International Tracing Instrument at the UN in New York. Nammo presented practices for marking and tracing of small arms ammunition. The other session was held by UNIDIR in Geneva and Nammo was part of the panel and presented Transfer of Technology within Norwegian Ammunition Industry.

Nammo will continue to support the UN process together with ASD by constructive comments and recommendations throughout the negotiations, and looks forward to playing an active role in the implementation of the Arms Trade Treaty as well.

Corporate governance

ONE NAMMO
SYNERGIES
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ONE VOICE

Introduction

Nammo AS is a limited liability company established under Norwegian law, with a governance structure based on Norwegian corporate law (Aksjeloven) and similar laws in the seven other countries where we operate: Finland, Sweden, Germany, Switzerland, USA, Canada and Australia. Our governance system has been developed through cooperation between the Board of Directors and the Nammo Group management in order to ensure compliance with the relevant laws and regulations. Our governance system is also important to ensure efficient controls for the business processes. The work is ongoing to improve our corporate governance system. Corporate governance is regarded as a key element in the short-term sustainability of business operations, as well as preparation for a long-term development of the company. Corporate governance encompasses the leadership culture, vision and values, ethical code of conduct, risk management, reporting and control mechanisms.

In 2011 we started a project focusing our internal control system and our continuous process for identifying and handling risks in our business. Through this project we have formalized a yearly process for risk management and re-enforced the hierarchy and structure of the steering documents such as directives, policies and procedures. We have also reviewed all the existing directives and, if found necessary, updated the structure, format and content of them. Based on the risk assessment, some new steering documents have been introduced and some have been phased out. This project will be finalized and changes implemented during 2012. The risk assessment process and the evaluation of the steering documents is a continuous process throughout the year and the status will be reported to the Board of Directors on a regular basis, minimum once per year.

Corporate directives

The framework for leadership, organization and culture is the foundation of our governance system. The system is based on the delegation of responsibility to our legal subsidiaries and business units, as well as corporate functions, such as finance, human resources,

communication and business development. In order to maintain uniform standards and control, we have defined common requirements in the form of corporate directives that are mandatory for all parts of our organization. The directives address areas such as strategy and business planning, finance, risk management, organizational and employee development, (health, environment, safety and security), ethics, as well as corporate social responsibility.

Controls and procedures

Nammo's internal procedures for financial control and reporting are designed to provide reasonable assurance to Nammo's Group management and the Board of Directors regarding the preparation and presentation of our financial statements. The management of Nammo AS is responsible for establishing and maintaining adequate internal control for financial reporting. Our internal control of financial reporting is a process designed under the supervision of the Group CEO and the Group CFO. The accounting policies applied by the group follow the Norwegian General Accepted Accounting Principles (N GAAP).

In the finance area, there are directives for planning and budgeting, financial reporting, investments, treasury management, as well as a directive for acquisitions and divestments. As an integral part of the directives in the financial area, we have implemented an accounting manual that regulates the accounting treatments for all material accounting processes at Nammo. 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.

General Meeting of Shareholders

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

GROWTH VELEMENTS QUALITY COMMUNICATION

The Annual General Meeting approves the annual report based on the Norwegian requirements and financial statements, including the dividend proposed by the Board of Directors and recommended by the Group management. The General Meeting also elects the external auditors and determines the auditors' remuneration. In addition, the General Meeting deals with all other matters listed in the notice convening the meeting.

Board of Directors

The Board of Directors of Nammo AS shall consist of six to eight directors in accordance with the shareholders' agreement: three from each owner, and two directors representing the employees. The employees may also nominate one additional observer, so that all the employees from Norway, Sweden and Finland are represented. The position, Chairman of the Board, alternates annually between the two owners. The Board of Directors meets regularly with a minimum of four meetings per year.

In accordance with the Norwegian corporate law (Aksjeloven), the Board of Directors exercises the overall governance of the company, including ensuring that appropriate management and control systems are in place.

The Board of Directors supervises the daily management carried out by the Group CEO.

President and CEO

The President and CEO constitute a formal corporate body in accordance with Norwegian Corporate Law (Aksjeloven). The CEO is responsible for the day-to-day management of the group. The CEO's responsibility and financial commitment are 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. Management meetings are held about eight times a year and are called by the CEO. The Executive Vice Presidents and Senior Vice Presidents on the CEO's staff also participate. These meetings focus on monitoring the status of operations and key performance indicators. The market situation and business development issues are also addressed, as well as health, environment, safety and security indicators and human resource issues. The Group CEO conducts quarterly individual business review meetings with the divisions. These meetings are a vehicle for scrutiny of the divisions' performance relative to budgets and targets. The market situation, order intake and new opportunities are also addressed.



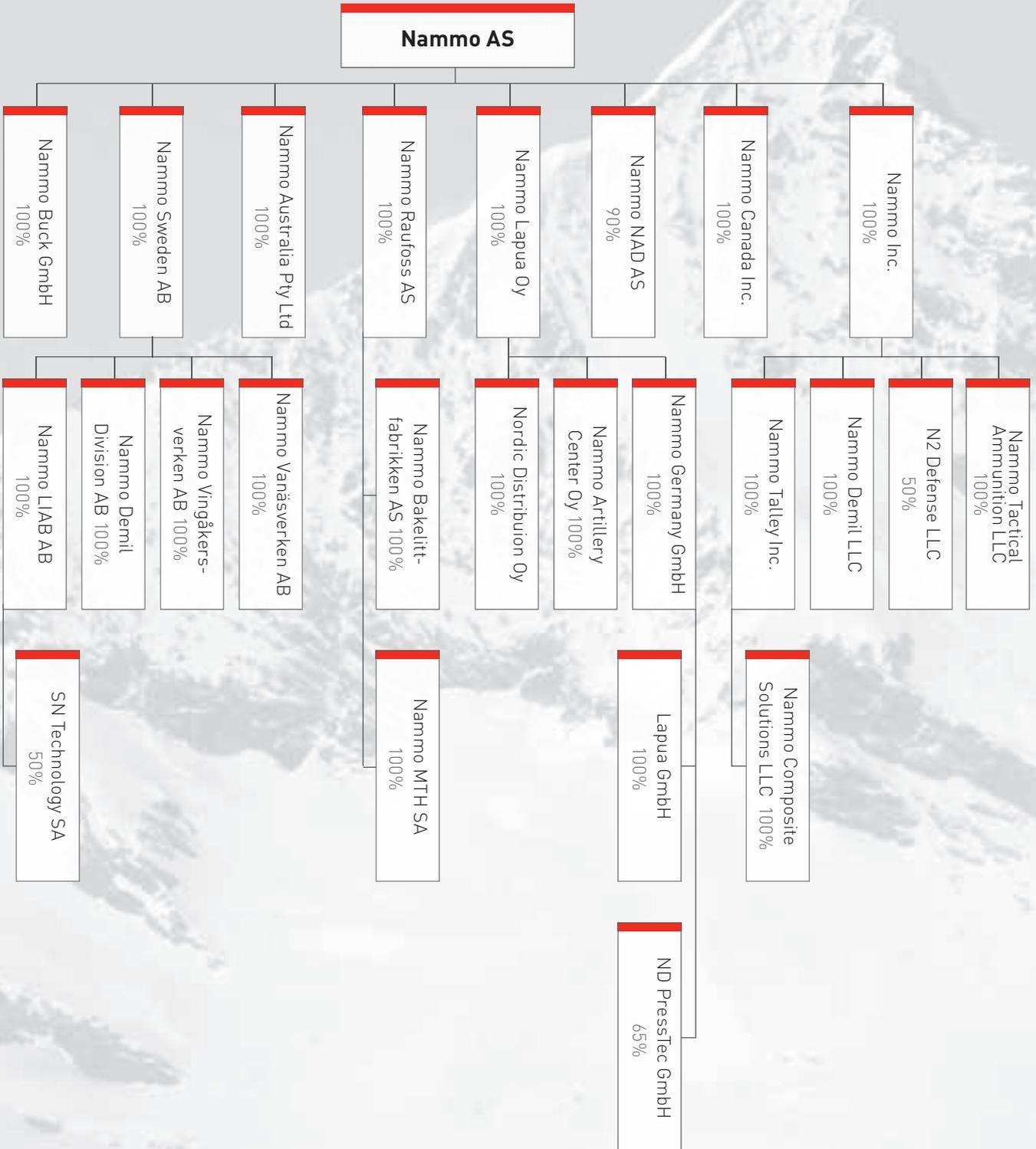
Group Management

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



From left: **Peter Lerche Raadal**, Senior Vice President, Finance & CFO, **A. Erland Paulsrud**, Vice President Business Development & President Nammo Raufoss AS, **Reijo Bragberg**, Exec. Vice President, Demil Division, **Scott Selle**, President Nammo Talley Inc., **Ola Skrivervik**, Senior Vice President, Business Development, **Edgar Fossheim**, President & CEO, **Sissel Solum**, Senior Vice President, Communication, **Bertil Pålsrud**, Senior Vice President, Human Resources, **Morten Brandtzæg**, Exec. Vice President, Missile Product Division, **Raimo Helasmäki**, Exec. Vice President, Small Caliber Division, **Kjell Kringsjå**, Exec. Vice President, Medium & Large Caliber Division.

Company organizational structure



Nammo Australia was established 01.01.12

Board of Directors report 2011

In 2011 Nammo improved its return on sales in spite of a decrease in operating income compared to 2010. Nammo's future growth is subject to elements of uncertainty in a weaker market, but the Group is forecast to maintain its strong market position in 2012 and to continue to deliver good results.

General comments

Operating income amounted to NOK 3 165 million, which is 8 per cent lower than in 2010. The return on sales ended at 13.7 per cent (12.6 % in 2010). Operating profit decreased by 1.9 per cent to NOK 427 million (NOK 435 million) and the profit for the year was NOK 290 million (NOK 280 million).

Nammo develops, produces and sell military and sport ammunition, shoulder launched weapon systems, rocket motors for military and space applications, and leading global services for environmentally friendly demilitarization. Since its inception in 1998, Nammo's strategy has been to develop a wide range of ordnance products and services through focusing on high performance and niche technologies. Nammo has manufacturing companies in Norway, Sweden, Finland, Germany, Switzerland and the US and a sales office in Canada and Australia. The corporate headquarter is located at Raufoss, Norway.

Strategy

The Nammo vision is "Securing the future". For the company's management and employees, this is the guideline for everyday activities to develop Nammo in line with the company's strategy. Nammo's values are "Dedication, Precision and Care". These are the foundation on which the strategy is carried through and the vision is accomplished.

Close contact and dialog with demanding customers and the development of high-performance niche products have enabled Nammo to achieve a leading position within its core business areas and maintain an important balance between research and development (R&D) and ongoing production. Nammo's long-term strategy has been to develop the company's position and presence in the international market. This continuing strategy generates ever more positive results.

Through 2011, Nammo continued to strengthen its position in the markets where the company has already established a presence. Through merger and acquisition (M&A) activities during recent years, Nammo remains a strong, dedicated and focused supplier for customers internationally. Nammo's parallel focus has been to maintain its strong position in the Nordic countries.

Nammo has also given priority to carrying through systematic improvements in operations and cost-reducing measures, and has gradually succeeded in strengthening its financial position.

During 2011, Nammo increased its ownership share in its subsidiary ND PressTec from 60 to 65 per cent.

Operations

The Nordic market

The Nordic market remains a very important part of Nammo's future development. Maintaining a strong position in the home markets creates a production and market base and an excellent reference from which to compete in international markets. In 2011, the Nordic market accounted for 30 per cent of Nammo's operating income.

The international market

The international market has become steadily more important to Nammo since the company was established in 1998. In 2011, the international market accounted for 70 per cent of Nammo's operating income.

Sales to the US and Canada represented 33 per cent of the Group's revenues in 2011. Sales generated from Nammo's companies in the US represented 20 per cent of total revenue. The US has taken a leading role in development

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and qualification by implementing new technology within its armed forces. The US will therefore continue to represent an important relationship for Nammo for future growth.

Development, research and technology

Nammo is involved in development programs involving advanced technology solutions for national and international markets. Nammo also takes part in many network-related activities that allow separate systems to work together to increase effectiveness, while continuing to invest in new technologies to maintain and enhance competitiveness. Some of Nammo's development programs for new products have a time frame extending over several years. Other programs, typically to develop new versions of existing products, have a shorter duration. Nammo's policy is to expense all R&D costs when incurred.

Financial statements

Pursuant to Section 3-3a of the Norwegian Accounting Act, the Board of Directors confirms that the financial statements have been prepared on the going concern principle as of the date of the financial statements. The Nammo Group's annual accounts have been prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles (NGAAP). The accounting principles used by the Nammo Group have also been applied by Nammo AS and all subsidiaries. For further information, please refer to the financial statements and note disclosures.

Operating income and profitability

Nammo had an operating income of NOK 3 165 million in 2011 (3 448), which is 8 per cent lower than in 2010. Part of this decrease was due to weaker USD and EUR against NOK during 2011 compared to 2010. Net financial items were

positive at NOK 8 million in 2011 (-1.7). Profit for the year was NOK 290 million in 2011 (280).

Cash flow and liquidity

Nammo's net cash flow from operating activities was NOK 38 million in 2011 (536). The main reason for lower cash flow from operations is a higher level of stocks and receivables. Net cash flow from investment activities amounted to NOK -140 million in 2011 (-91). Net cash flow from financing activities was NOK -141 million in 2011 (-304). This mainly reflects dividend to the owners. Cash and cash equivalents were NOK 190 million on 31 December 2011 (433). Nammo had unutilized credit facilities of NOK 287 million, measured at 31 December 2011 exchange rates.

Balance sheet

The total assets of the Nammo Group were NOK 2 988 million at the end of 2011 (2 906). Net working capital excluding cash was NOK 814 million (392), while equity was NOK 1 480 million (1 305). Total liabilities were NOK 1 480 million (1 575) on 31 December 2011 and the equity ratio ended at 50 per cent in 2011 (45). Total interest-bearing liabilities to financial institutions amounted to NOK 307 million (299) on 31 December 2011.

Risk factors

Nammo operates in a global market, characterized by rapid technological shifts in product and service ranges and strong competitive pressures. The group is therefore exposed to a number of risk factors. Nammo's market represents risks of various kinds and magnitudes, and it is very important to be aware of those risks and to manage or minimize them as much as possible. Risk management is therefore an integral part of strategic and operative business management, with the aim of supporting both strategic and financial goals.

ONE NAMMO SYNERGIES ONE VOICE ENVIRON SYSTEMS RESPONSIBILITY

Market risk

The operational and financial development of the Nammo Group depends on the general development of the defense markets. The fact that Nammo has five operating divisions, each with a number of business areas and many different products, is an advantage when it comes to risk management because it spreads the risk over a broad platform of activities.

Operational risk

The Group's value creation mainly consists of products and systems of high technological complexity. Efficient project management is an important success factor for reducing operational risk. Nammo has established targets for project management, based on best practice in the industry. Other working methods and qualifying procedures implemented by the company are designed to minimize the overall operational risk.

Financial risks

Nammo has established guidelines for financial risk management at both corporate and divisional levels. The following have been identified as the key financial risk areas for the Nammo 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 continuously monitored and reduced. Nammo has both transaction risk and translation risk.

Transaction risk is reduced through internal risk matching and hedging in the market through financial instruments. Hedging of contractual currency cash flows is carried out continuously, and the strategy is to secure the calculated earnings on industrial contracts and thereby reduce exposure to fluctuations.

Translation risk is the effect on balance sheet items in foreign currencies due to exchange rate fluctuations. The risk is to equity in subsidiaries and joint ventures reported in foreign currencies. Translation risk is partly reduced through hedge accounting of long term debt.

Commodity price risk: price volatility related to copper, steel and other raw materials can directly impact on Nammo's operating costs, and can also have an effect on the Group's reported operating results. Nammo reduces the risk by consistently monitoring commodity hedges for all the significant purchase transactions of metals that it is possible to hedge in the market.

Liquidity risk: liquidity risk management means maintaining sufficient cash and cash equivalents, and having funding available through adequate committed credit facilities. Nammo maintains a high degree of financial flexibility by keeping sufficient cash and cash equivalents or committed credit facilities available.

Credit Risk: Nammo's customers are mainly national defense ministries and major companies in the defense industry in NATO and EU countries. The inherent credit risk is thus considered to be low. Credit risk is evaluated annually, and currently the risk associated with outstanding accounts receivable is considered to be low.

Interest rate risk: interest rate risk for the Nammo Group is monitored and continuously evaluated during the year.

Distribution of dividend

The Board proposes to the General Meeting of Shareholders a dividend payment of NOK 145 million for 2011. Assuming the proposed dividend, the profit in the parent company Nammo AS will be distributed as follows:

Dividend	NOK 145 million
Other equity	NOK 78 million
Total	NOK 223 million

The proposed dividend represents 65 per cent of the Nammo AS profit for the year. For the Nammo Group, the proposed dividend represents 50 per cent of profit.

Corporate social responsibility

Nammo promotes sustainable development through business operations that emphasize environmental, ethical and social considerations. Nammo is committed to ensuring that human and labor rights, environmental considerations

GROWTH COMMUNICATION MENT SECURITY SAFETY PEOPLE

and the fight against corruption are respected in its business activities and by the Group's suppliers. Nammo should be characterized by its high ethical standards. Nammo also operates consistently within its established ethical code of conduct. In accordance with company policy, Nammo reviews its ethical guidelines on an annual basis and has a proactive approach to these issues. It is a company priority that the guidelines are implemented and continuously monitored in day-to-day operations at all levels in the organization.

Policy

Nammo operates in the explosives industry and handles high-energy materials. Conditions that relate to health, environment, safety and security therefore have higher priority than all other business objectives and goals. This is a high priority for Nammo's employees, and constantly on the management agenda. The Group's policy is evaluated each year. All accidents or serious, near-accidents involving employees are reported and preventive action is taken. Monthly reports are sent to all sites for information and action. Health, environment, safety and security audits were last conducted at the sites in 2011.

Education and training

All sites in Nammo have their own education and training schedules each year related to health, environment, safety and security. Once a year, Nammo arranges a seminar for all employees involved in these issues. In 2010, Nammo took part in an EU-Excert partnership program and will continue this work to establish a transferable certificate of explosives competence. This will be recognized inside and outside the EU.

The environment

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

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

A common effort is made to focus on the areas of energy efficiency, special waste and water consumption, and there are plans and goals for continuous improvement.

Health, environment, safety and security results

Sick leave among Nammo's employees was at an average of 4.5 per cent for 2011 (4.0). Various activities such as workplace improvements, measures to secure a good and healthy work environment, protective equipment and physical training have been given attention by the management. There were 28 accidents resulting in employees being absent from work at Nammo in 2011, representing an H-value of 8 (number of accidents resulting in absence per million working hours). This gives an F-value of 177 (number of days off due to accidents multiplied by one million and divided by number of working hours), which indicates that the most frequent types of accidents are minor. Most of the injuries concern fingers or hands as a result of handling materials or machinery. Another type of frequent injury is caused by falls due to icy or slippery ground. The Group will continue its preventive work in all areas and maintain a particular focus on conditions for employees.

Human resources

Nammo is committed to ensuring diversity in the Group and equal opportunities for all employees are a key element of the human resources policy. This applies in particular to recruitment, career development, equal pay for equal work and working conditions. Women account for 30 per cent of the employees, and activities to motivate female university graduates and other women to join the company will continue to be an important endeavor in the future. Nammo does not tolerate discrimination on the basis of gender, race, religion, national or ethnic origin, cultural background, social group, disability, family status, age or political views. However, the recruitment of personnel must be performed in accordance with the national security authorities in the respective countries. The working environment at Nammo is considered to be good.

Sponsorships

In 2010, Nammo entered into a 4-year sponsorship agreement with the Norwegian Biathlon Association,

COMMUNICATION GROWTH HIGH-TECH GLOBAL STRENGTH COOPERATION

promoting the Lapua brand through the women's national team. Through this sponsorship opportunity, Nammo is the primary supplier of ammunition to the national teams of the Norwegian Biathlon Association, with a close cooperation towards the Winter Olympics in Sochi in 2014. The agreement also includes the establishment of a Lapua scholarship for talented young athletes.

In 2011 Nammo went from sponsor to main sponsor for the women's national ski jump team based on the sponsorship agreement signed with the Norwegian Ski Federation first time in 2010. The agreement has two goals. The first is a technology project in which Nammo will contribute to the development of ski jumping through increased technological expertise and support in aerodynamics. The project follows the time schedule and looks promising. Secondly, Nammo will sponsor the women's national ski jump team on their way towards participation in their first Olympics in Sochi 2014. On April 6, 2011 the International Olympic Committee officially accepted women ski jumping into the official Olympic program for the 2014 Winter Olympics in Sochi, Russia. For Nammo and the women's ski jump team this was very good news.

These two Norwegian national sponsorships are important steps in promoting Nammo and the Lapua brand in Norway

and internationally. Nammo has an ambition to recruit more women to the company and to keep employee focus on top performance.

Outlook for the Nammo Group

Nammo has developed into a financially robust company with balanced business activities in the US, Canada and other NATO countries, all based on its foundation in the Nordic market and the continued strength of its position in its home markets. The company plans to continue growing along these lines, based on its current strategy. In markets where Nammo is present today, the company will evaluate all growth opportunities that emerge, both organically and through M&A activity.

There are elements of uncertainty related to Nammo's future growth, but our expectation is that the Group will maintain its strong market position and continue to deliver good results in 2012.

The Board expresses its appreciation to all employees for their commitment and individual service during the year. This has contributed to our good results for 2011 in increasingly challenging market conditions.

Gardermoen, 10 April 2012

Heikki Allonen, Vice Chairman

Annika Tanttinen, Board Member

Astrid Berg Ardesjö, Board Member

Karl Glad, Chairman of the Board

Dag J. Opedal, Board Member

Einar Linnerud, Board Member

Tone Lindberg Hofstad, Board Member

Kai Nurmio, Board Member

Edgar Fosshelm, President & CEO

Board of Directors



Karl Glad
Chairman of the Board



Heikki Allonen
Vice Chairman



Tone Lindberg Hofstad
Board Member



Annika Tanttinen
Board Member



Dag J. Opedal
Board Member



Kai Nurmio
Board Member



Einar Linnerud
Board Member



Astrid Berg Ardesjö
Board Member



Petri Kontola
Observer

The Board of Directors of Nammo AS consists of eight directors, three from each owner, and two directors representing the employees. The chairman and the vice chairman alternate every year. The employees also nominate one additional observer, so that all the employees from Norway, Sweden and Finland are represented.



Nammo Group 2011

Consolidated financial statements

Income statement

Nammo Group

(NOK 1 000)	Notes	2011	2010
Operating income	1	3 165 463	3 448 450
Operating expenses			
Changes in stock of work in progress and finished goods		(123 757)	(6 033)
Changes in self-manufactured fixed assets		(561)	(1 062)
Cost of goods sold		1 233 376	1 234 096
Payroll expenses	3, 11	989 800	1 004 886
Depreciation of tangible and intangible fixed assets	6	125 837	130 959
Other operating expenses		514 117	650 721
Total operating expenses		2 738 812	3 013 567
Operating profit		426 651	434 883
Financial income and expenses			
Income from associates and joint ventures - equity method	5	335	(152)
Interest income		10 267	6 497
Other financial income	4	9 981	17 343
Interest expenses		(8 525)	(7 197)
Other financial expenses	4	(3 635)	(18 152)
Net financial income (expense)		8 423	(1 661)
Ordinary result before tax		435 074	433 222
Taxes on ordinary result	12	(132 740)	(140 432)
Ordinary result		302 334	292 790
Minority share		(12 455)	(12 364)
Profit (loss) for the year		289 879	280 426

Balance sheet

Nammo Group

(NOK 1 000)	Notes	As of 31.12.11	As of 31.12.10	As of 31.12.09
Assets				
Non-current assets				
Intangible assets				
Deferred tax asset	12	41 177	51 766	53 264
Licenses, trademarks and other intangible assets	6	276 554	294 943	316 528
Goodwill	6	22 582	32 180	54 474
Total intangible assets		340 313	378 889	424 266
Tangible assets				
Buildings	6	199 543	198 961	183 699
Land	6	15 103	15 095	15 198
Machines and equipment	6	246 753	264 618	249 316
Fixtures and fittings, tools, office machinery, etc.	6	36 512	31 576	32 604
Plant under construction	6	84 209	19 304	20 673
Total tangible assets		582 120	529 554	501 490
Financial fixed assets				
Shares in joint controlled companies	5	601	601	13 783
Shares in associated companies	5	675	344	524
Other shares and participations	5	6 013	6 023	1 844
Other receivables	7	11 298	13 646	16 491
Total financial fixed assets		18 587	20 614	32 642
Total non-current assets		941 020	929 057	958 398
Current assets				
Stocks				
Stocks of raw materials		273 522	271 829	276 865
Stocks of work in progress		523 764	410 010	414 908
Stocks of finished goods		138 850	130 540	114 575
Total stocks		936 136	812 379	806 348
Receivables				
Accounts receivable	8	646 517	452 717	559 292
Other receivables	7	260 551	266 847	273 266
Advance payments to suppliers		13 717	11 815	17 077
Total receivables		920 785	731 379	849 635
Cash and cash equivalents	9	190 225	432 855	291 637
Total current assets		2 047 146	1 976 613	1 947 620
Total assets		2 988 166	2 905 670	2 906 018

(NOK 1 000)	Notes	As of 31.12.11	As of 31.12.10	As of 31.12.09
Shareholders' equity and liabilities				
Equity				
Share capital		100 000	100 000	100 000
Premium fund		258 670	258 670	258 670
Other equity		1 121 215	945 916	802 257
Total equity		1 479 885	1 304 586	1 160 927
Minority share		28 506	26 259	18 883
Total equity and minority share	10	1 508 391	1 330 845	1 179 810
Liabilities				
Non-current liabilities				
Pension liabilities	11	122 776	116 821	105 426
Deferred tax	12	51	76	130
Total non-current liabilities		122 827	116 897	105 556
Other non-current liabilities				
Liabilities to financial institutions	13	306 533	298 575	495 162
Other non-current liabilities		7 936	7 615	3 646
Total other non-current liabilities		314 469	306 190	498 808
Current liabilities				
Allocation for guarantee liabilities		87 111	98 335	101 509
Accounts payable		193 781	177 819	175 420
Income tax payable	12	58 068	64 661	71 533
Public duties		60 105	116 306	162 306
Dividend payable		145 000	140 300	133 800
Prepayments from customers		222 934	290 787	247 451
Other short term liabilities		275 480	263 530	229 825
Total current liabilities		1 042 479	1 151 738	1 121 844
Total liabilities		1 479 775	1 574 825	1 726 208
Total shareholders' equity and liabilities		2 988 166	2 905 670	2 906 018

Gardermoen, 10 April 2012

Heikki Allonen, Vice Chairman

Karl Glad, Chairman of the Board

Tone Lindberg Hofstad, Board Member

Annika Tanttinen, Board Member

Dag J. Opedal, Board Member

Kai Nurmio, Board Member

Astrid Berg Ardesjö, Board Member

Einar Linnerud, Board Member

Edgar Fosshem, President & CEO

Cash flow

Nammo Group

(NOK 1 000)	2011	2010	2009
Cash flow from operational activities			
Result before tax	435 074	433 222	409 560
Tax payments	(111 098)	(133 602)	(108 490)
Profit and loss on sale of fixed assets	(85)	-	-
Ordinary depreciations	125 837	130 959	143 801
Changes in stocks	(119 995)	(6 031)	64 711
Changes regarding debtors	(185 299)	106 575	19 289
Changes regarding creditors	16 116	(10 170)	(44 374)
Changes in other depositions	(122 403)	15 396	(252 787)
Net cash flow from operational activities (a)	38 147	536 349	231 710
Cash flow from investement activites			
Payments received from sale of fixed assets	241	1 163	-
Purchase of fixed assets	(139 426)	(86 875)	(138 969)
Purchase of other long-term investments	(606)	(5 416)	(200)
Net cash flow from investment activities (b)	(139 791)	(91 128)	(139 169)
Cash flow from financing activities			
Payments received regarding new long term loans	7 093	-	698
Installments on long-term loans	(920)	(170 203)	(9 670)
Paid dividend	(147 159)	(133 800)	(133 000)
Net cash flow from financing activities (c)	(140 986)	(304 003)	(141 972)
Net changes in cash and bank accounts (a+b+c)	(242 630)	141 218	(49 431)
Cash and bank accounts as of 01.01.	432 855	291 637	341 068
Cash and bank accounts as of 31.12.	190 225	432 855	291 637

Total unused cash credits as of December 2011 is NOK 287.3 million. See note 13.

Index to the accounting notes

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1 Operational income for the Nammo Group	6	Fixed and intangible assets	12	Tax calculations
2 Financial market risk	7	Other receivables (long and short term)	13	Interest bearing loans and guarantees
3 Salaries and social cost	8	Receivables and losses on bad debts		
	9	Cash reserve		

Accounting policies Nammo Group

General

The Nammo Group consists of Nammo AS and its subsidiaries. Nammo AS is a public limited company (Aksjeselskap). The 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 the group holds, directly or indirectly, the majority of voting rights. Controlling interest is usually achieved when Nammo has more than 50% 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 the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination.

Foreign currencies

The individual financial statements of a subsidiary company 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 operations are translated 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 companies, 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 below in these accounting policies.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase 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 (F) Konsernregnskap, are recognized at their fair values at the acquisition date. 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 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 depreciated according to the economic lifetime.

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.

Tax

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 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 tax are recognized as expense or income in the income statement, except when they relate to items recognized directly to 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. As part of business combinations, 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.

Research costs are normally expensed as they incur.

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 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% and 50% of the voting rights. The share of results, 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 basis as described under the accounting principles for associated companies.

Inventory

Inventories are stated 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. Recognized value for work in progress or finished goods are all appropriate direct and indirect production costs, while raw materials and other inventory are recognized at purchase price (historic cost).

Impairment of non-current assets other than goodwill

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, any impairment 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

Dividends are recognized as a liability in the period that they are declared 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% 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 profit and loss over the estimated remaining period of service from the members in the plan.

Defined contribution plans

Obligations for 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.

Restructuring

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

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.

Guarantees

A provision for guarantees is 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 business Nammo operates in, historical information on actual guarantee 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" system, 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 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 long-term debt. 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.

Notes to the accounts

Nammo Group

1. OPERATIONAL INCOME FOR THE NAMMO GROUP

The Nammo Group consists of subsidiaries in Norway, Sweden, Finland, Germany, Switzerland, Canada and the USA.

Turnover from Nammo subsidiaries per country

(NOK 1 000)	2011
Norway	1 124 453
Sweden	668 741
USA	638 885
Germany	427 663
Finland	305 322
Switzerland	322
Total	3 165 463

Turnover per geographical location of customers

(NOK 1 000)	2011
USA	1 030 645
Sweden	416 287
Norway	379 211
Germany	300 756
Finland	178 715
Great Britain	119 334
Poland	118 114
France	109 215
Other European countries	97 158
Switzerland	86 617
Italy	73 348
Asia	65 705
Denmark	51 339
Other countries	37 407
Belgium	35 518
Spain	29 981
Netherlands	13 264
Australia	11 745
Canada	11 104
Total	3 165 463

2. FINANCIAL MARKET RISK

Nammo has both sales and purchases in foreign currencies. To reduce the financial risk of currency changes, secured exchange rate instruments (forwards contracts) are used to hedge substantial 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 2011:

(Amounts in currency 1 000)

Transaction type	Buy/Sell(-)	CAD	CHF	EUR	GBP	PLN	SEK	USD	DKK
FX Forward	Buy	3 525	4 915	12 105	628	-	43 472	19 364	715
	Sell(-)	(149)	(254)	(47 696)	(4 703)	-	-	(50 693)	-
FX SWAP	Buy	-	-	4 414	-	-	1 440	-	-
	Sell(-)	-	-	(13 278)	(225)	(935)	(3 468)	(7 275)	-

Maturity FX Forward's and FX SWAP's - percentage allocation based on nominal value in NOK:

Transaction type	Buy/sell	Year 2012	Year 2013	Year 2014
FX Forward	Buy	96%	4%	-
	Sell	74%	24%	2%
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 SWAP's 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.

3. SALARIES AND SOCIAL COST

(NOK 1 000)	2011	2010
Salaries	754 855	769 074
Employment taxes	78 398	124 398
Pension costs	61 210	66 455
Other personnel costs	95 337	44 958
Total	989 800	1 004 886
Average number of man years	1 876	1 940

Remuneration to CEO and Board of Directors

(NOK)	Function	Salary and other remuneration	Prepaid pension	Bonus	Total
Edgar Fosshem	President and CEO	3 223 802	1 387 455	1 076 234	5 687 491
Nammo AS Board	Board of Directors	1 231 646	-	-	1 231 646

Loan to the CEO has a balance of NOK 233 312 as of 31.12.2011. The loan is due in 3 years and the interest rate is 0.75% p.a. in 2011.

The CEO is included in Nammo AS's collective pension scheme, limited to 12G. The prepaid pension in 2011 is the calculated difference between collective pension rights and 60% of salary at retirement by the age of 63.

Bonus payments are based on the existing incentive plan for the CEO.

Auditor's fee

All numbers are presented exclusive VAT.

(NOK 1 000)	2011
Auditors fee	3 026
Fees for other assurance work, including IFRS	385
Tax advisory services	944
Other services	1 348
Total	5 703

4. FINANCIAL ITEMS

(NOK 1 000)	2011	2010
Gain on exchange	8 572	13 111
Other financial income	1 409	4 232
Total other financial income	9 981	17 343
Loss on exchange	(3 581)	(16 062)
Other financial expenses	(54)	(2 090)
Total other financial expenses	(3 635)	(18 152)

5. SHARES IN OTHER COMPANIES

	Company's share capital	Number of shares owned	Nominal value	Booked value NOK	Owner- ship
(NOK 1 000)					
Joint controlled companies:					
SN Technologies SA, Meyrin, Switzerland	CHF 200 000	100	CHF 100 000	559	50%
N2 Defense, USA	USD 120 000			42	50%
Total				601	
Associated companies:					
DrawTech Oy, Finland	EUR 36 000	533	-	675	33%
Total				675	
Other shares and participations:					
Sintef Raufoss Manufacturing AS, Raufoss, Norway				1 302	14%
Raufoss Industripark III AS, Raufoss, Norway				4 209	25%
Lean Lab, Gjøvik, Norway				200	12%
Komm-In AS, Norway				105	14%
Others				197	-
Total				6 013	

Joint controlled companies and associated companies are recognized according to the equity method in the consolidated financial statements.

6. FIXED AND INTANGIBLE ASSETS

(NOK 1 000)	Patents, trademark and other intangible assets		Goodwill	Buildings	Land	Machinery and equipment	Fixtures, fittings, tools,office machinery, etc	Plants under construction	Total assets
Acquisition cost as of 01.01.11	415 255	148 738	377 086	15 111	986 512	158 610	31 180	2 132 492	
Additions during the year	812	12 833	18 585	70	41 322	14 892	56 122	144 636	
Disposals during the year	-	-	-	-	(5 691)	(365)	(3 040)	(9 096)	
Exchange difference acq. cost	8 794	6 737	992	(55)	366	(63)	(53)	16 718	
Acquisition cost 31.12.11	424 861	168 308	396 663	15 126	1 022 509	173 074	84 209	2 284 750	
Accumulated depreciations 31.12.11	(148 307)	(145 726)	(197 120)	(23)	(775 756)	(136 562)	-	(1 403 494)	
Book value as of 31.12.11	276 554	22 582	199 543	15 103	246 753	36 512	84 209	881 256	
Depreciations this year	24 370	26 064	18 117	8	44 942	12 336	-	125 837	
Annual leasing cost of assets not recognized in balance sheet	-	-	43 938	-	9 371	3 528	-	56 837	
Economic life time(years)	1 – 20	5-15	10 - 50	-	5 - 15	3 - 10	-	-	
Depreciation plan	Linear	linear	linear	linear	linear	linear	-	-	

7. OTHER RECEIVABLES (CURRENT AND NON-CURRENT)

These items include receivables concerning employees, loans to companies not part of the Nammo group and other receivables.

8. RECEIVABLES AND LOSSES ON BAD DEBTS

(NOK 1 000)	2011	2010
Accounts receivables	647 450	455 181
Provision for bad debt	933	2 464
Book value of accounts receivables	646 517	452 717

Our assessment of accounts receivable concluded that the provision for bad debts is sufficient to meet future potential losses on bad debts as of 31.12.2011.

9. CASH RESERVE

(NOK 1 000)	2011	2010
Cash and cash equivalents	190 225	432 855
Unused cash credits	287 300	361 878
Net cash reserve	477 525	794 733

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

In Finland: Nammo Lapua Oy. **In Germany:** Lapua GmbH, Nammo Buck GmbH and Nammo Germany GmbH. **In Norway:** Nammo AS, Nammo Bakelittfabrikken AS, Nammo Raufoss AS and Nammo NAD AS. **In Sweden:** Hansson Pyrotech AB, Nammo Demil Division AB, Nammo LIAB AB, Nammo Sweden AB, Nammo Vingåkersverken AB and Nammo Vanäsverken AB. **In USA:** Nammo Composite Solutions LLC., Nammo Inc., Nammo Talley Inc. and Nammo Tactical Ammunition LLC.

10. EQUITY – CHANGES IN EQUITY

(NOK 1 000)	Share capital	Premium fund	Other equity	Minority share	Total
Equity as of 01.01.11	100 000	258 670	1 001 515	26 264	1 386 449
Exchange differences opening balance	-	-	(55 599)	(5)	(55 604)
Equity as of 01.01.11 including exchange differences	100 000	258 670	945 916	26 259	1 330 845
Profit for the year	-	-	289 879	-	289 879
Proposed dividend to shareholders ¹⁾	-	-	(145 000)	-	(145 000)
Change in minority share this year	-	-	5 972	5 464	11 436
Correction of errors previous years	-	-	12 601	-	12 601
Other items	-	-	7 044	-	7 044
Exchange differences for the period	-	-	3 543	(3 217)	326
Exchange differences on profit for the year	-	-	1 260	-	1 260
Total equity as of 31.12.11	100 000	258 670	1 121 215	28 506	1 508 391

¹⁾ Board of Directors proposal to the General Meeting of shareholders.

11. PENSION COMMITMENTS – PENSION COSTS

The companies with pension arrangements, which provide the employees with the right to determined future pension payments, are included in the calculations of the pension liability (defined benefit plans). The pension liability in December 2011 was NOK 122.8 million, which is derived from the companies in Norway, Sweden and Germany. In addition, contribution plans exist in the other countries where we operate.

The total periodic pension costs for both defined benefit plans and 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.

Pension costs

(NOK 1 000)	2011	2010
Service costs	37 730	35 765
Amortization of net actuarial losses (gains)	3 952	17 500
Interest costs	10 913	13 125
Expected return on plan assets	(10 529)	(10 753)
Pension cost related to defined contribution plans	19 144	19 417
Settlement pension plans	-	(8 599)
Net periodic pension costs	61 210	66 455

Pension liability

(NOK 1 000)	2011	2010
Defined benefit obligation incl. social security tax	392 308	361 171
- Fair value of plan assets	219 515	205 319
Net pension obligation	172 793	155 852
Items not recorded in the profit and loss:		
Unrecognized net actuarial loss (gain)	(50 017)	(39 031)
Net amount recognized in the balance sheet	122 776	116 821

12. TAX CALCULATIONS

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 assets as at the end of the accounting year.

(NOK 1 000)	2011	2010	Change
Temporary differences:			
Fixed assets	52 353	23 191	(29 162)
Accounts receivable	-	(280)	(280)
Stock of goods	39 629	13 902	(25 727)
Pension liabilities	(20 938)	(27 587)	(6 649)
Guarantee liabilities	(82 911)	(97 638)	(14 727)
Other temporary differences	2 856	(15 654)	(18 510)
Adjustments for consolidation items	(83 499)	(15 118)	68 381
Temporary differences	(92 510)	(119 184)	(26 674)
Carried forward losses for tax purposes	(109 389)	(111 429)	
Total temporary differences	(201 899)	(230 613)	
Gross deferred tax / deferred tax assets (-)	(56 708)	(67 525)	
Adjustments for consolidation items	15 582	15 835	
Net deferred tax liability / deferred tax asset (-)	(41 126)	(51 690)	
Classified as deferred tax asset	41 177	51 766	
Deferred tax liability in the balance sheet	51	76	

Deferred tax in the balance sheet refers to business combinations.

Payable income taxes

(NOK 1 000)	2011
Net income before tax	435 074
Changes in temporary differences	(26 674)
Exchange differences temporary differences	1 563
Change temporary differences earlier years – tax effect booked in equity	(50 986)
Permanent differences	4 039
Use of carried forward losses	(8 325)
Taxable income	354 691
Payable income tax	115 386

Tax expense in profit and loss	
(NOK 1 000)	2011
Payable tax on this year's result	115 386
Adjustments prior years	(2 026)
Payable tax in this year's tax cost	113 360
Change in deferred tax / deferred tax asset	24 974
Other items	(5 594)
Tax expense in the P&L	132 740
Payable tax in the balance sheet	
(NOK 1 000)	2011
Payable taxes	116 459
Prepaid taxes	(56 602)
Other items	(1 789)
Payable tax in balance sheet	58 068

13. INTEREST BEARING LOANS AND GUARANTEES

(NOK 1 000)	2011	2010
Loan from credit institutions	306 533	298 575
Total interest bearing loans	306 533	298 575

Loan from credit institutions is mainly a credit facility of NOK 600 million which was set up in 2007. As of 2009, the facility is reduced by NOK 75 million yearly. As of December 2011, the facility is at NOK 375 million. The facility will terminate at the end of March 2014.

In addition, Nammo has unused cash credits totaling NOK 209.9 million.

Guarantees not recognized in the balance sheet as of 31.12.2011 is NOK 194.1 million.

Nammo AS 2011

Financial statements



Income statement

Nammo AS

(NOK 1 000)	Notes	2011	2010
Operating income		54 731	47 071
Operating expenses			
Payroll expenses	1	23 142	18 429
Depreciation of tangible and intangible fixed assets	3	1 311	547
Other operating expenses		50 196	42 649
Total operating expenses		74 649	61 625
Operating profit		(19 918)	(14 554)
Financial income and expenses			
Received group contribution		100 000	100 000
Interest income	2	12 393	13 598
Other financial income	2	165 160	152 688
Interest expense	2	(2 973)	(2 942)
Other financial expenses	2	(2 247)	(18)
Net financial income (expenses)		272 333	263 326
Ordinary result before tax		252 415	248 772
Taxes on ordinary result	10	(29 668)	(31 691)
Profit (loss) for the year		222 747	217 081
The Board's proposal for allocation of the profit			
Dividend		145 000	140 300
Other equity		77 747	76 781
Total		222 747	217 081

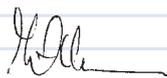
Balance sheet

Nammo AS

(NOK 1 000)	Notes	As of 31.12.11	As of 31.12.10	As of 31.12.09
Assets				
Non-current assets				
Intangible assets				
Deferred tax asset	10	345	448	1 445
Total intangible assets		345	448	1 445
Tangible assets				
Buildings	3	451	619	788
Machines and equipment	3	1 006	-	-
Fixtures and fittings, office machines, etc.	3	3 857	1 124	666
Fixed assets under construction	3	-	4 059	4 059
Total tangible assets		5 314	5 802	5 513
Financial fixed assets				
Investments in subsidiaries	4	594 333	594 333	588 958
Investments in other shares and participations	4	95	95	4 033
Loans to group companies		419 878	410 703	418 474
Other receivables		2 968	2 797	3 044
Total financial fixed assets		1 017 274	1 007 928	1 014 509
Total non-current assets		1 022 933	1 014 178	1 021 467
Current assets				
Receivables				
Accounts receivables	5	1 183	1 324	2 157
Receivables from group companies		82 538	101 431	79 293
Receivables related to group contributions		100 000	100 000	100 000
Other receivables		5 592	5 208	6 585
Total receivables		189 313	207 963	188 035
Cash and cash equivalents	6	121 807	449 669	231 502
Total current assets		311 120	657 632	419 537
Total assets		1 334 053	1 671 810	1 441 004

(NOK 1 000)	Notes	As of 31.12.11	As of 31.12.10	As of 31.12.09
Shareholders' equity and liabilities				
Equity				
Share capital	7, 8	100 000	100 000	100 000
Premium fund	8	258 670	258 670	258 670
Total paid in capital		358 670	358 670	358 670
Other equity	8	318 591	240 844	164 064
Total earned equity		318 591	240 844	164 064
Total equity		677 261	599 514	522 734
Liabilities				
Non-current liabilities				
Pension liabilities	9	1 252	1 177	4 907
Total non-current liabilities		1 252	1 177	4 907
Other non-current liabilities				
Liabilities to financial institutions	11	297 670	295 832	474 391
Total other non-current liabilities		297 670	295 832	474 391
Current liabilities				
Prepayments from customers		2 557	30 389	20 414
Accounts payable		4 285	3 957	1 797
Payables to group companies		167 079	560 563	249 395
Income tax payable	10	29 565	30 693	24 113
Public duties payable		2 066	3 674	3 428
Dividend payable to shareholders		145 000	140 300	133 800
Other current liabilities		7 318	5 711	6 025
Total current liabilities		357 870	775 287	438 972
Total liabilities		656 792	1 072 296	918 270
Total shareholders equity and liabilities		1 334 053	1 671 810	1 441 004

Gardermoen, 10 April 2012



Heikki Allonen, Vice Chairman



Karl Glad, Chairman of the Board



Tone Lindberg Hofstad, Board Member



Annika Tanttinen, Board Member



Dag J. Opedal, Board Member



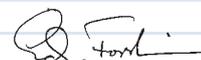
Kai Nurmio, Board Member



Astrid Berg Ardesjö, Board Member



Einar Linnerud, Board Member



Edgar Fosshem, President & CEO

Cash flow

Nammo AS

(NOK 1 000)	2011	2010	2009
Cash flow from operational activities			
Result before tax	252 415	248 772	151 442
Tax payments	(30 693)	(24 113)	(32 096)
Ordinary depreciation	1 311	547	413
Changes in accounts receivable	19 034	(21 305)	38 267
Changes in accounts payable	(8 936)	43 315	3 595
Pension cost less paid pension premium	75	(3 622)	(2 842)
Changes in loans to group and joint control companies	(9 174)	(4 261)	(13 770)
Changes in other depositions	(510 771)	165 036	(161 920)
Net cash flow from operational activities (a)	(286 739)	404 369	(16 911)
Cash flow from investment activities			
Payments from sold fixed assets	-	530	-
Investments in fixed assets	(823)	(1 018)	(2 969)
Investments in other assets	-	(3 200)	(1 763)
Net cash flow from investment activities (b)	(823)	(3 688)	(4 732)
Cash flow from financing activities			
Installments on long-term loans	-	(170 203)	-
Net payment of interest	-	21 489	(4 292)
Received group contribution	100 000	100 000	100 000
Paid dividend	(140 300)	(133 800)	(133 000)
Net cash flow from financing activities (c)	(40 300)	(182 514)	(37 292)
Net changes in cash and bank accounts (a+b+c)	(327 862)	218 167	(58 935)
Cash and bank accounts as of 01.01.	449 669	231 502	290 437
Cash and bank accounts as of 31.12.	121 807	449 669	231 502

Unused credit facilities is NOK 287,3 million. See note 11.

Index to the accounting notes

Accounting policies Nammo AS	5	Accounts receivable	10	Tax
1 Salaries and social cost	6	Cash reserve	11	Interest bearing loans and guarantees
2 Financial items	7	Share capital	12	Credit facility
3 Fixed and intangible assets	8	Equity		
4 Shares in other companies	9	Pension commitments – pension costs		

Accounting policies Nammo AS

General

Nammo AS is a public limited company 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 that do not qualify for hedge accounting treatment are included in net income.

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 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 the 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.

Tax

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 tax are recognized as expense or income in the income statement, except when they relate to items recognized directly to 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. As part of business combinations, 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.

Research costs are normally expensed as they incur. 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 and associated companies

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

Impairment of non-current assets other than goodwill

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.

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, any impairment 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.

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% 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 profit and loss 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 costs 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 profit and loss for the same period as the hedged transaction is recognized (hedge accounting).

Notes to the accounts

Nammo AS

1. SALARIES AND SOCIAL COST

(NOK 1 000)	2011	2010
Salaries	19 091	17 896
Employment taxes	2 494	2 746
Pension costs	1 013	(2 653)
Other social costs	544	440
Total	23 142	18 429

Average number of man-years	12	12
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Auditor's fee

(NOK 1 000) - All numbers are presented exclusive VAT	2011
Auditors fee	370
Fees for other assurance services	211
Tax advisory services	0
Other services	757
Total	1 338

2. FINANCIAL ITEMS

(NOK 1 000)	2011	2010
Interest income from Group companies	9 863	10 090
Other interest income	2 530	3 508
Total interest income	12 393	13 598

Gain on exchange	11 994	11 416
Dividend from Group companies	152 169	141 272
Other financial income	997	-
Total other financial income	165 160	152 688

Other interest cost	(2 973)	(2 942)
Total interest cost	(2 973)	(2 942)

Loss on exchange	(2 142)	-
Other financial expenses	(105)	(18)
Total other financial expenses	(2 247)	(18)

3. FIXED AND INTANGIBLE ASSETS

(NOK 1 000)	Fixtures, Machines and fittings and equipment and office equipment and plants under construction				Total
	Buildings	equipment	equipment	construction	
Acquisition cost as of 01.01.11	845	1 658	-	4 059	6 562
Additions during the year	-	173	4 974	-	5 147
Disposals during the year	-	(265)	-	(4 059)	(4 324)
Acquisition cost as of 31.12.11	845	1 566	4 974	-	7 385
Accumulated depreciations	394	560	1 117	-	(2 071)
Book value as of 31.12.11	451	1 006	3 857	-	5 314
Ordinary depreciations for the year	169	290	852		1 311
Annual leasing cost on assets not in the balance sheet	299	93	28		420
Economic life time (years)	5 years	3-5 years	3 - 10 years		
Depreciation plan	linear	linear	linear		

4. SHARES IN OTHER COMPANIES

(NOK 1 000)	Company's share capital	Number of shares owned	Nominal value	Booked value	
				NOK (1 000)	Ownership
Group companies:					
Nammo Raufoss AS, Raufoss	NOK 150 000 000	150 000	150 000	175 000	100%
Nammo Sweden AB, Lindsberg	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 Buck GmbH, Pinnow	EUR 26 000	1	26	7 246	100%
Nammo Incorporated, Virginia	USD 38 380 000	-	-	239 982	100%
Nammo NAD AS, Løkken Verk	NOK 4 782 000	23 910	2 391	7 138	90%
Total				594 333	
Other shares and participations:					
Toten Golf AS, Reinsvoll				95	
Total				95	

5. ACCOUNTS RECEIVABLE

(NOK 1 000)	2011	2010
Accounts receivable	1 183	1 324

Accounts receivable are booked at nominal value. There has been no loss on accounts receivable in 2011.

6. CASH RESERVE

This amount includes bank balances of Group companies that participate in the international cash pool of NOK 125.2 million. See note 12.

7. SHARE CAPITAL

As of 31.12.2011 Nammo AS's share capital is NOK 100 million, split on 1 000 000 shares of NOK 100 each.

Nammo AS shareholders as of 31.12.2011

	Number of shareholders	Number of shares	Ownership
The Norwegian State, represented by Ministry of Trade and Industry		500 000	50%
Patria Oyj, Finland		500 000	50%
Total	2	1 000 000	100%

8. EQUITY

(NOK 1 000)	Share			Net result	Total
	Share capital	premium reserve	Other equity		
Equity as of 01.01.11	100 000	258 670	240 844	-	599 514
Net result	-	-	-	222 747	222 747
Allocation of the net result ^{*1}	-	-	222 747	(222 747)	-
Dividend ^{*1}	-	-	(145 000)	-	(145 000)
Equity as of 31.12.11	100 000	258 670	318 591	-	677 261

^{*1} Board of Directors proposal for the General Meeting

9. PENSION LIABILITIES – 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 12 active members. Nammo AS is a member of the LO/NHO AFP-plan. The old plan was closed during the year 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's 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 2011 with the following assumptions:

Yield from pension funds	4.80%
Interest rate used to discount future cash flows	3.90%
Annual salary increase	4.00%
Annual increase in G	3.75%
Annual change in pension	0.70%

Deferred tax asset is NOK 351 000. See note 10.

Pension cost		
(NOK 1 000)	2011	2010
Service costs	946	978
Settlement AFP-plan and adjustment	-	(3 788)
Amortization of net actuarial losses (gains)	40	43
Interest costs	528	633
Expected return on plan assets	(501)	(519)
Net pension costs	1 013	(2 653)
Pension liabilities		
(NOK 1 000)	2011	2010
Defined benefit obligation incl. payroll tax	13 810	12 758
- Fair value of plan assets	10 414	9 745
Net pension liability	3 396	3 013
Items not recognized in the profit and loss:		
Unrecognized net actuarial loss (gain)	(2 144)	(1 836)
Net amount recognized in the balance sheet	1 252	1 177

10. TAX

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)	2011	2010
Net income before tax	252 415	248 772
Permanent differences	(146 455)	(135 590)
Changes in temporary differences	(369)	(3 563)
Basis for the tax calculation	105 591	109 619

Specification of the tax cost in the profit and loss:

Tax payable	29 565	30 693
Changes in deferred tax	103	998
This year's tax cost	29 668	31 691

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.

Deferred tax calculation		
(NOK 1 000)	31.12.11	31.12.10
Fixed assets	23	(422)
Deferred tax in the balance sheet at 28%	6	(118)

Negative deferred tax is classified as deferred tax asset in the balance sheet.

10.3. Deferred tax asset

According to Norwegian GAAP for tax accounting, future realizable tax asset shall generally be offset against deferred tax liabilities. Deferred tax related to pension liability is according to present practice not offset, and is shown in the balance sheet as a deferred tax advantage.

(NOK 1 000)	31.12.11	31.12.10
Pension liability	1 252	1 177
Deferred tax asset (28%)	351	330
Deferred tax asset, ref note 10.2	(6)	118
Deferred tax asset in the balance sheet	345	448

11. INTEREST BEARING LOANS AND GUARANTEES

	2011	2010
Loans from credit institutions	297 670	295 832

Loans from credit institutions are mainly a credit facility of NOK 600 million, which was set up in 2007. The facility is from 2009, reduced by NOK 75 million annually, and was then at NOK 375 million in December 2011. The facility will terminate at the end of March 2014.

In addition, Nammo AS has unused cash credits of NOK 209.9 million.

Guarantees not in the balance sheet as of 31.12.2011 are NOK 192.7 million.

12. CREDIT FACILITY

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

In Finland: Nammo Lapua Oy.

In Germany: Lapua GmbH, Nammo Buck GmbH and Nammo Germany GmbH.

In Norway: Nammo AS, Nammo Bakelittfabrikken AS, Nammo Raufoss AS and Nammo NAD AS.

In Sweden: Hansson Pyrotech AB, Nammo Demil Division AB, Nammo LIAB AB, Nammo Sweden AB, Nammo Vingåkersverken AB and Nammo Vanäsverken AB.

In USA: Nammo Composite Solutions LLC., Nammo Inc., Nammo Talley Inc and Nammo Tactical Ammunition LLC

Nammo AS subsidiaries' balance on the overdraft facility is included in payables to group companies.

This amounts to NOK 125.2 million. See note 6.

Auditors report for 2011



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To the Annual Shareholders' meeting in Nammo AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Nammo AS, which comprise the financial statements of the parent company Nammo AS, showing a profit of NOK 222 747 000, and the consolidated financial statements of Nammo AS and its subsidiaries, showing a profit of NOK 289 879 000. The parent company's and the consolidated financial statements comprise balance sheet as at 31 December, 2011, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the parent company Nammo AS and of Nammo AS and its subsidiaries as at 31 December, 2011, and of their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Offices in:

Oslo	Hamar	Sandefjord
Alta	Haugesund	Sandnessjøen
Arendal	Kristiansund	Stavanger
Bergen	Larvik	Stord
Bodo	Mo i Rana	Tromsø
Elverum	Molde	Trondheim
Finnshes	Narvik	Tonsberg
Grimstad	Roros	Ålesund

KPMG AS, a Norwegian member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
Statsautoriserte revisorer - medlemmer av Den norske Revisorforening



Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Accounting Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures, we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Hamar, 10 April 2012
KPMG AS

Thore Kleppen
State Authorized Public Accountant

[Translation has been made for information purposes only]

UN Global Compact

Nammo supports the ten principles of the UN Global Compact.

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anticorruption.

As a natural part of our business, Nammo has developed and implemented values and policies

for the environment, human rights, labor standards and ethics. Our code of conduct is intended to assist employees when encountering ethical dilemmas such as bribery, facilitation payments and gift giving. It is important that we act responsibly no matter where we do business. We strive to develop relationships with suppliers to increase awareness of sustainability and responsible behavior.

The UN Global Compact initiative is global and local; private and public; voluntary, yet accountable for our business. Our commitment is based on a greater awareness of corporate social responsibility; guided by our values of Dedication, Precision and Care; and in the spirit of the ten principles:

Human rights	2, 10, 16-20, 28-29, 35
<i>Principle 1:</i>	Businesses should support and respect the protection of internationally proclaimed human rights; and
<i>Principle 2:</i>	make sure that they are not complicit in human rights abuses.
Labor standards	2, 10, 16-20, 28-29, 34-36
<i>Principle 3:</i>	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
<i>Principle 4:</i>	the elimination of all forms of forced and compulsory labor;
<i>Principle 5:</i>	the effective abolition of child labor; and
<i>Principle 6:</i>	the elimination of discrimination in respect of employment and occupation.
Environment	2, 11-15, 28-29, 34-36
<i>Principle 7:</i>	Businesses should support a precautionary approach to environmental challenges;
<i>Principle 8:</i>	undertake initiatives to promote greater environmental responsibility; and
<i>Principle 9:</i>	encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption	2, 10, 21-27, 28-29, 34-36
<i>Principle 10:</i>	Businesses should work against corruption in all its forms, including extortion and bribery.



This is the third year that Nammo is reporting according to the Global Reporting Initiative (GRI) standard for sustainable reporting. GRI is a networkbased organization that has pioneered the development of the most widely used sustainable reporting framework.

This framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental and social performance. As in 2010, Nammo is self-declaring, reporting at the B-level.

GRI element/ indicator		Comments and page references
Strategy and analysis		
1.1	Statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and its strategy.	2
1.2	Description of key impacts, risks and opportunities.	2, 5, 33-34
Organizational profile		
2.1	Name of the organization.	Front cover, inside cover
2.2	Primary brands, products and/or services.	Inside cover, 5-9
2.3	Operational structure of the organization, including main Divisions, operating companies, subsidiaries and joint ventures.	4-9, 30, 31, 72
2.4	Location of organization's headquarters	Inside cover, 30, 72
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Inside cover, 4-9, 30, 45, 47, 60, 72
2.6	Nature of ownership and legal form.	Inside cover, 3-9, 32, 45
2.7	Markets served.	Inside cover, 4-9
2.8	Scale of the reporting organization.	Inside cover, 4-9
2.9	Significant changes in size, structure or ownership.	32
2.10	Awards received in the reporting period.	3, 26
Report parameters		
Report profile		
3.1	Reporting period.	2011
3.2	Date of most recent previous report. Nammo Annual Report	2010
3.3	Reporting cycle.	Annual
3.4	Contact point for questions regarding the report or its content.	info@nammo.com, SVP Communication and Chief Financial Officer
Report scope and boundary		
3.5	Process for defining report content.	10, 43, 57
3.6	Boundary of the report.	10, 43, 57
3.7	State any specific limitations on the scope or boundary of the report.	10, 43, 57

GRI element/ indicator		Comments and page references
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations.	10, 43, 57
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.	10, 37, 57
3.10	Explanation of the effect of any re-statements of information provided in earlier report, and the reasons for such re-statement.	No significant restatements.
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	No significant changes.
GRI content index		
3.12	Table identifying the location of the standard disclosures in the report.	67-71
Assurance		
3.13	Policy and current practice with regard to seeking external assurance for the report.	64-65, external assurance not practiced for CSR.
Governance, commitments, and engagement		
Governance		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	28-29, 37
4.2	Indicate whether the chair of the highest governance body is also an executive officer.	28-29
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	28-29, 37
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	28-29, 37
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives and the organization's performance.	28-29, 46
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	28-29
4.7	Process for determining the composition, qualifications and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	28-29
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation.	28-29
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles.	28-29
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	28-29
Commitments to external initiatives		
4.11	Explanation of whether and how the precautionary approach or principles is addressed by the organization.	11-15
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses.	10, 13-14, 18-19, 27, 66, 67
4.13	Memberships in associations and/or national/international advocacy organizations.	18-19, 27
Stakeholder engagement		
4.14	List of stakeholder groups engaged by the organization.	21-24
4.15	Basis for identification and selection of stakeholders with whom to engage.	21
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	21-27
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	3, 6, 14-15, 27

GRI element/ indicator		Comments and page references
	Environmental	
	Disclosure on management approach	2, 11-15, 28-29, 34-36
	Materials	
EN1	Materials used by weight or volume.	Not reported
EN2	Percentage of materials used that are recycled input materials.	Not reported
	Energy	
EN3	Direct energy consumption by primary energy source.	12
EN4	Indirect energy consumption by primary source.	Not reported
	Water	
EN8	Total water withdrawal by source.	12
	Biodiversity	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not relevant.
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity values outside protected areas.	Not relevant.
	Emissions, effluents and waste	
EN16	Total direct and indirect greenhouse gas emissions by weight.	Not reported.
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not relevant.
EN19	Emissions of ozone-depleting substances by weight.	Not relevant.
EN20	NOx, SOx and other significant air emissions by type and weight.	Not reported.
EN21	Total water discharge by quality and destination.	Not reported.
EN22	Total weight of waste by type and disposal method.	13
EN23	Total number and volume of significant spills.	12-13
	Products and services	
EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation.	3, 5, 6, 12-15
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not reported.
	Compliance	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	No fines reported.
	Human rights	
	Disclosure on management approach	2, 10, 16-20, 28-29, 35
	Investment and procurement practices	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	17, 35
	Non-discrimination	
HR4	Total number of incidents of discrimination and corrective actions taken.	No incidents reported
	Freedom of association and collective bargaining	
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Not reported
	Child labor	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Not reported

GRI element/ indicator		Comments and page references
	Forced and compulsory labor	
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Not reported
	Assessment	
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Not reported
	Remediation	
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	No grievances reported
	Labor practices and decent work	
	Disclosure on management approach	2, 10, 16-20, 28-29, 34-36
	Employment	
LA1	Total workforce by employment type, employment contract and region broken down by gender.	Inside cover, 16-20
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region.	Not reported
LA15	Return to work and retention rates after parental leave, by gender.	Not reported
	Labor/management relations	
LA4	Percentage of employees covered by collective bargaining agreements.	Not reported
LA5	Minimum notice period(s) regarding operational changes including whether it is specified in collective agreements.	Not reported
	Occupational health and safety	
LA7	Rates of injuries, occupational diseases, lost days, absenteeism and number of workrelated fatalities by region and by gender.	17, 34-36
LA8	Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases.	18
	Training and education	
LA10	Average hours of training per year per employee by gender and by employee category.	18
	Diversity and equal opportunities	
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity.	19
	Equal remuneration for women and men	
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operations.	16-17, 35
	Society	
	Disclosure on management approach	2, 10, 21-27, 28-29, 34-36
	Local community	
S01	Percentage of operations with implemented local community engagement, impact assessments and development programs.	Not reported
S09	Operations with significant potential or actual negative impacts on local communities.	Not reported
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not reported
	Corruption	
S02	Percentage and total number of business units analyzed for risks related to corruption.	Not reported, 18-19
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	Not reported, 18-19
S04	Actions taken in response to incidents of corruption.	No incidents reported
	Public policy	
S05	Public policy positions and participation in public policy development and lobbying.	5, 21, 27

GRI element/ indicator		Comments and page references
	Anti-competitive behavior	
S07	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes.	No incidents reported
	Compliance	
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	No incidents reported.
	Product responsibility	
	Disclosure on management approach	2, 3, 6, 10, 21-22, 25, 28-29, 34-36
	Customer health and safety	
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	3, 5, 6, 14-15, 25
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	No incidents reported
	Product and service labeling	
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	21, 25, 27
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	No incidents reported
	Marketing communications	
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	Not reported
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	26-27
	Customer privacy	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	No incidents reported
	Compliance	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	No fines reported
	Economic	
	Disclosure on management approach	2, 10, 28-29, 32-34
	Economic performance	
EC1	Direct economic value generated and distributed including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	Inside cover, 34, 39-63
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Not reported
EC3	Coverage of the organization's defined benefit plan obligations.	49, 61-62
EC4	Significant financial assistance received from government.	3
	Market presence	
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.	Not reported
EC7	Procedures for local hiring and proportion of senior management hired from the local community at the locations of significant operation.	Not reported
	Indirect economic impacts	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.	3, 8, 9
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	9

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