

NAMMO Q3 REPORT 2018

Nammo 3rd quarter reporting shows strong order intake, continued operating revenue growth and short term profits under pressure as measures are taken to secure longer term profits.

Nammo's reports Q3-18 operating revenues of MNOK 942 (MNOK 893 in Q3-17). The Operating Profit (EBIT) was MNOK 30 (MNOK 36) whilst Earnings Before Taxes showed MNOK 21 (MNOK 40). The Group's order intake ended at MNOK 1792 (MNOK 1174), resulting in a Q3 end order backlog valued at MNOK 5952 (MNOK 4959).

Q3 Highlights

As for market development, the underlying trend is positive in most military markets that Nammo addresses except for demilitarization. The Commercial markets in the US is flattening out after a period of down turn.

Overall both order intake and operating revenues are showing good growth rates in comparison to 2017, both when the yard stick is Q3 or Year to Date. The single largest contract signature during Q3 was for Bunker Defeat Munition (Business Unit Shoulder Fired Systems) with US Government. The contract has a value of \$63 M for deliveries over the next coming 3 years. The total order backlog is now MNOK 993 higher than at Q3 end last year, and there is sufficient orders in stock for 2018 to exceed MNOK 5000 of Operating Revenues for 2018 as a whole.

The profitability in Q3 and also Year to Date September is showing weaker performance in comparison to last year. The Operating result (EBIT) shows MNOK 30 in Quarter 3 (MNOK 36) whilst the cumulative 2018 result is MNOK 130 (MNOK 169). One-time costs associated with closure of 3 sites and one Business Unit have been challenging to Nammo profits in 2018. However, the restructuring actions will pave the way for improved profitability in years ahead. Net Financial Charges in 2018 has been higher than in 2017 due to higher Net Interest Bearing Debt. Profits are under pressure this year, and 2018 financials will to a large extent depend on Quarter 4 performance.

	01.07.-30.09.		01.01.-30.09.		
MNOK	2018	2017	2018	2017	2017
Operating revenues	942	893	3 175	2 908	4 462
EBITDA	79	79	269	304	536
EBITDA-%	8,4 %	8,8 %	8,5 %	10,4 %	12,0 %
EBIT	30	36	130	169	364
EBIT-%	3,2 %	4,0 %	4,1 %	5,8 %	8,2 %
Earnings before tax	21	40	96	158	341
Order intake	1 792	1 174	4 487	3 000	4 298

Balance Sheet

Quarter 3 Working Capital at MNOK 2377 is higher than 2017 Q3 (MNOK 2287). It has necessary to build up Inventory to smooth out production activity and to secure on time deliveries in Q4 this year. At the end of Q3 2018 Nammo had net interest-bearing liabilities of MNOK -1 541, compared to MNOK -1219 at Q3 2017. The cash inflow from operating activity has not been sufficient to offset the impact from having to build up inventories, investment needs for fixed assets and acquisition (45% of MAC) and the dividend payment to owners. As a consequence, Nammo has had to draw on the credit facilities from banks and hence increase its debt. The 'equity to total capital' ratio was 44% at Q3 2018 (48%).

Balance sheet

MNOK	30.09.18	30.06.18	31.03.18	31.12.17	30.09.17
Equity	2 538	2 516	2 428	2 495	2 497
Equity ratio (%)	44 %	46 %	45 %	44 %	48 %
Total assets	5 814	5 450	5 427	5 650	5 185
Working capital	2 377	2 192	2 086	2 193	2 287
Gross interest-bearing liabilities	1 291	1 306	1 304	1 323	1 157
Gross bank deposits and cash equivalents	(223)	(17)	172	185	(62)
Net interest-bearing liabilities	1 514	1 322	1 132	1 138	1 219

Profit and loss last quarter

The operating revenue per Q3-18 was 5.5% higher than the same period last year. The higher revenues do not immediately translate into higher profits. The Earnings before Taxes showed 21 MNOK (MNOK 40) where the profit deterioration is mainly resulting from the restructuring actions and higher net interest bearing debt.

In the Strategic Plan for the next 3 years, Nammo has reiterated the need for growing profitably.

