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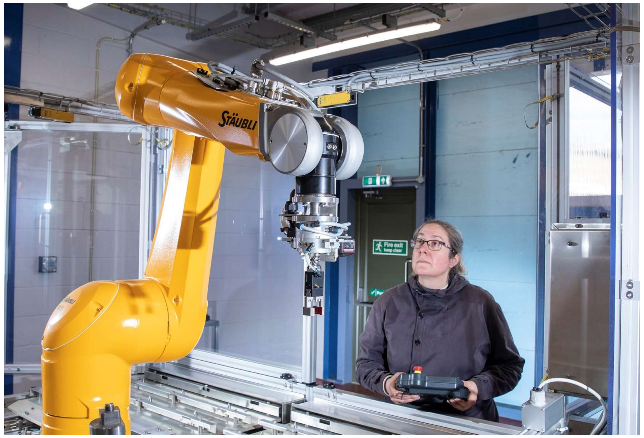

CHEMRING GROUP PLC

RESULTS FOR THE YEAR ENDED 31 OCTOBER 2022

A STRONGER GROUP DELIVERING SUSTAINABLE GROWTH

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MICHAEL ORD

GROUP CHIEF EXECUTIVE

2022 OVERVIEW – DELIVERING SUSTAINABLE GROWTH

Group performance **in line with expectations**

Operating profit
11%
£64.0m

EPS
19%
19.7p

Cash conversion
109%

Net debt
73%
£7m

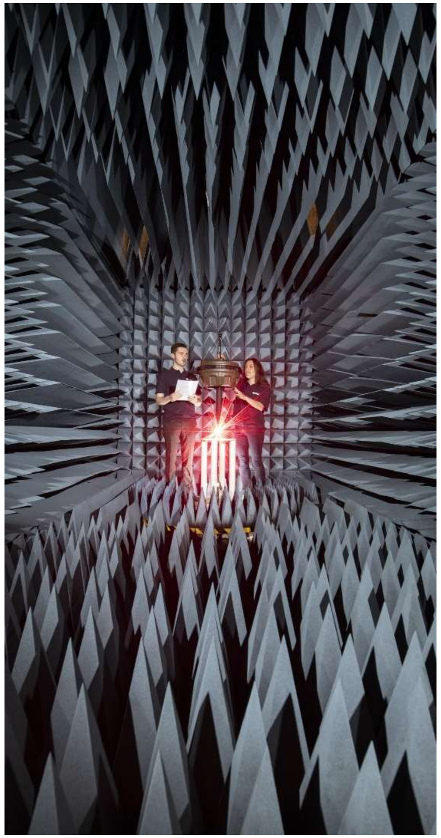
Good progress on strategic imperatives in both sectors

Continued **progress** on **ESG** and **sustainability** agenda

Dividend per share
19%
5.7p

Order book
30%
£651m

2023 expected revenue
86%
covered by order book



Balancing short-term performance with long-term growth and value creation

Numbers set out on this slide are underlying measures as reported for the year ended 31 October 2022

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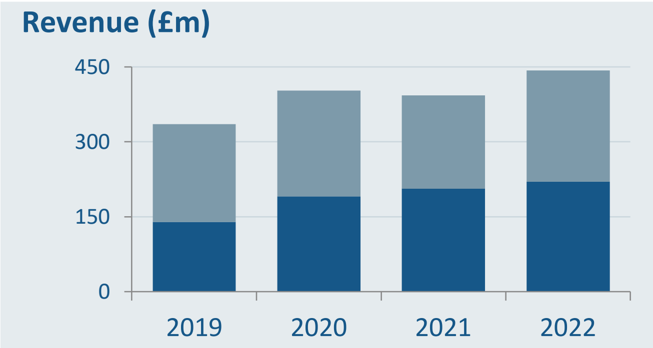
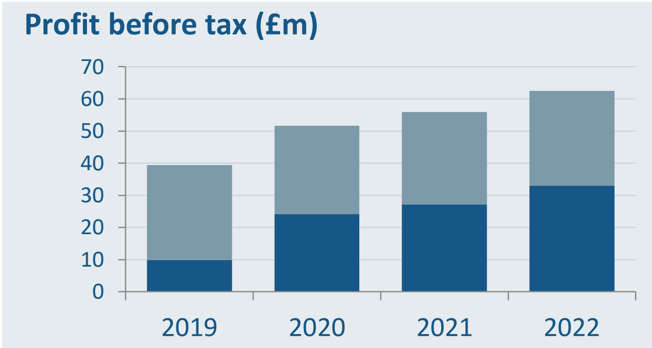
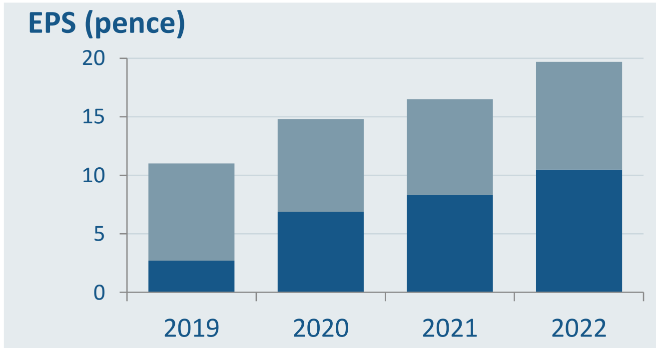
ANDREW LEWIS
CHIEF FINANCIAL OFFICER

GROUP PERFORMANCE

H1 H2







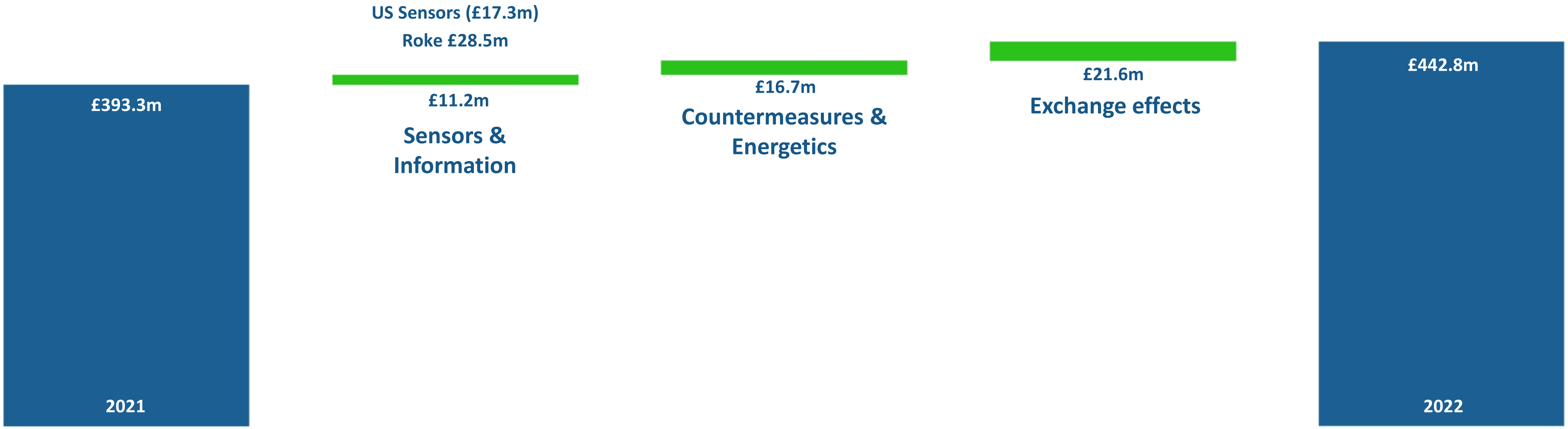
FINANCIAL HIGHLIGHTS

- Revenue up 13% to £443m (2021: £393m)
- Operating profit growth of 11% to £64.0m (2021: £57.5m)
- Operating margin stable at 14.5% (2021: 14.6%)
- Diluted EPS increased 19% to 19.7p (2021: 16.5p)
- Operating cash conversion of 109% of EBITDA (2021: 105%)
- Net debt down to £7m (2021: £27m)
- Full year dividend up 19% to 5.7p per share (2021: 4.8p)

OPERATIONAL HIGHLIGHTS

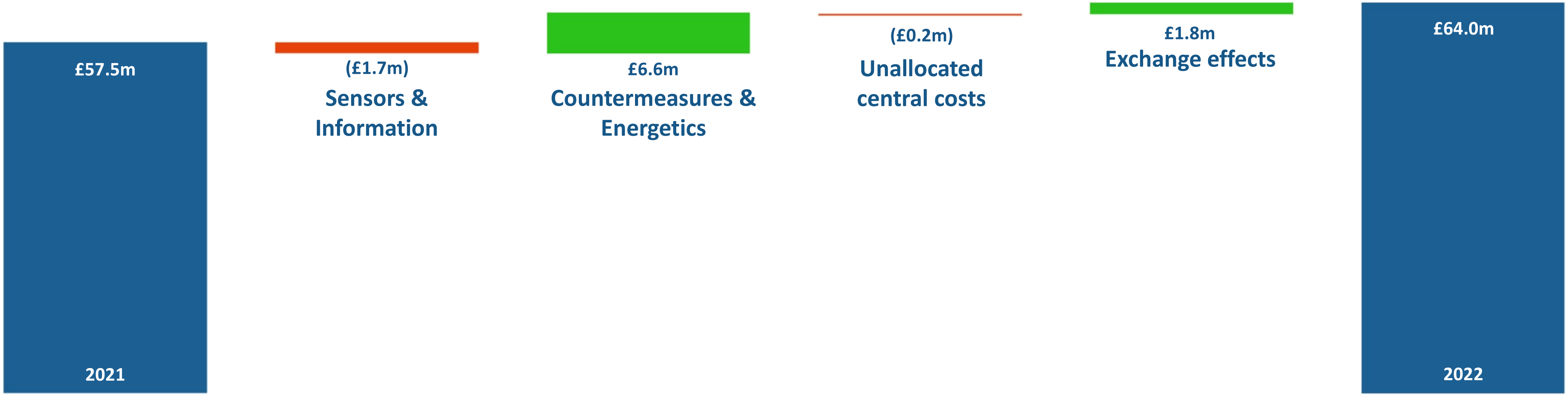
- Strong performance at Roke, with order intake of £168m, up 59%, revenue exceeding £100m and double digit growth in operating profit
- Operational delivery at C&E sites driving margin progression, investment in sites progressing
- Order intake up 28% to £551m with strong performance across both segments
- Closing order book of £651m, £403m expected to be delivered in 2023
- 2023 expected revenue approximately 86% covered by order book

GROUP REVENUE BRIDGE



- In Sensors & Information, strong performance at Roke offset by weaker year in US Sensors due to HMDS moving to sustainment phase earlier than previously expected by the customer
- Countermeasures & Energetics saw a recovery in the niche energetics businesses and growth in countermeasures
- USD average exchange rate moved from $1.38 to $1.23 giving a revenue tailwind of £22m

GROUP OPERATING PROFIT BRIDGE



- Sensors & Information saw strong growth in the Roke products and services business, offset by opex investment in the Roke Academy and Roke USA and a decrease in HMDS revenue
- Countermeasures & Energetics benefited from improved operational execution which drove an increase in operating margin of 120bps to 17.4%
- USD average exchange rate moved from $1.38 to $1.23 giving an operating profit tailwind of £1.8m

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IMPACT OF FOREIGN EXCHANGE TRANSLATION

	Constant currency movement	2022 Restated at 2021 rates £m	2021 £m	2022 £m
Revenue	⬆ 7%	**421.2**	393.3	**442.8**
EBITDA	⬆ 5%	**79.9**	76.4	**82.3**
Operating profit	⬆ 8%	**62.2**	57.5	**64.0**
Order book	⬆ 21%	**604.1**	500.8	**650.9**

TRANSLATION

- 48% of revenue US $ denominated in 2022
- P&L translation $1.23 vs $1.38 in 2021
- Balance sheet translation $1.15 vs $1.37 at 31 October 2021

SENSITIVITIES

- 10 cent weaker US $ gives £14m decrease in revenue and £1m decrease in operating profit
- 10 cent weaker US $ gives £2m decrease in net debt
- Future guidance based on $1.20

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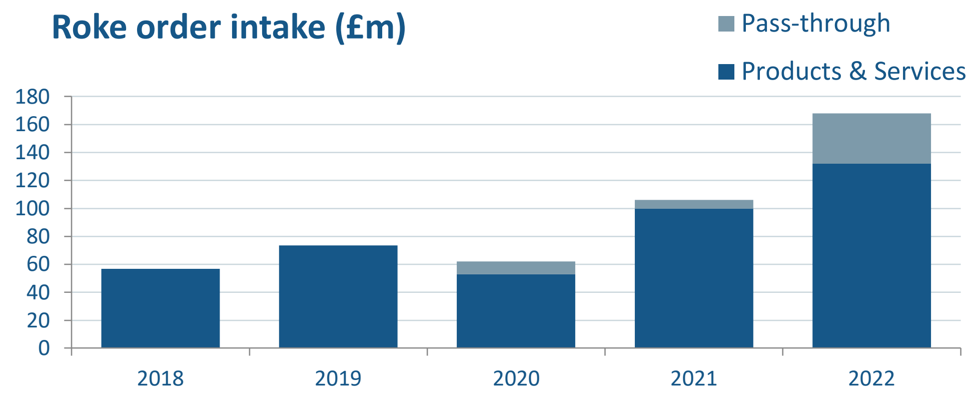
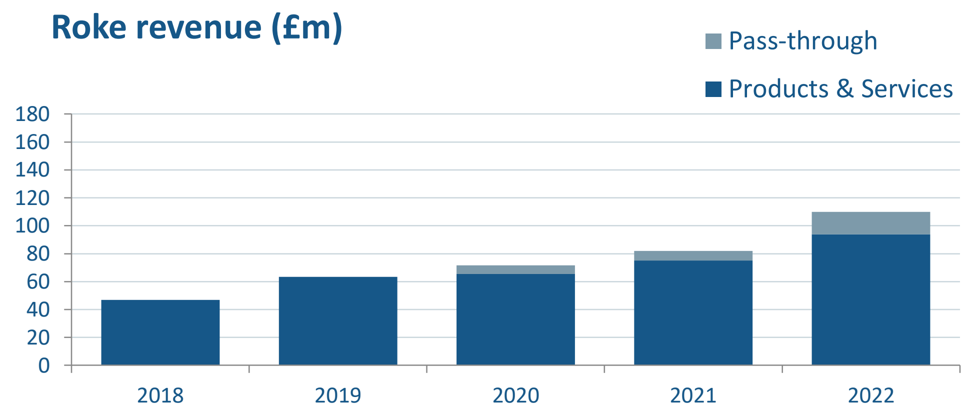
SENSORS & INFORMATION

			2022 £m	2021 £m
Revenue	↑	11%	**162.3**	146.6
EBITDA	↓	4%	**33.0**	34.4
Operating profit	↓	5%	**30.0**	31.6
Operating margin	↓	310 bps	**18.5%**	21.6%
Order intake	↑	11%	**195.2**	175.9
Order book	↑	35%	**153.7**	113.6

- Roke's market continues to be strong, with record order intake and revenue growth and strong margins maintained
- 2022 saw opex investment in Roke Academy and Roke USA to support continued future growth opportunities
- Reduction in HMDS orders and revenue as PoR transitions to sustainment
- EMBD PoR progressing as planned with first units delivered in H2 FY22
- Closing order book of £154m

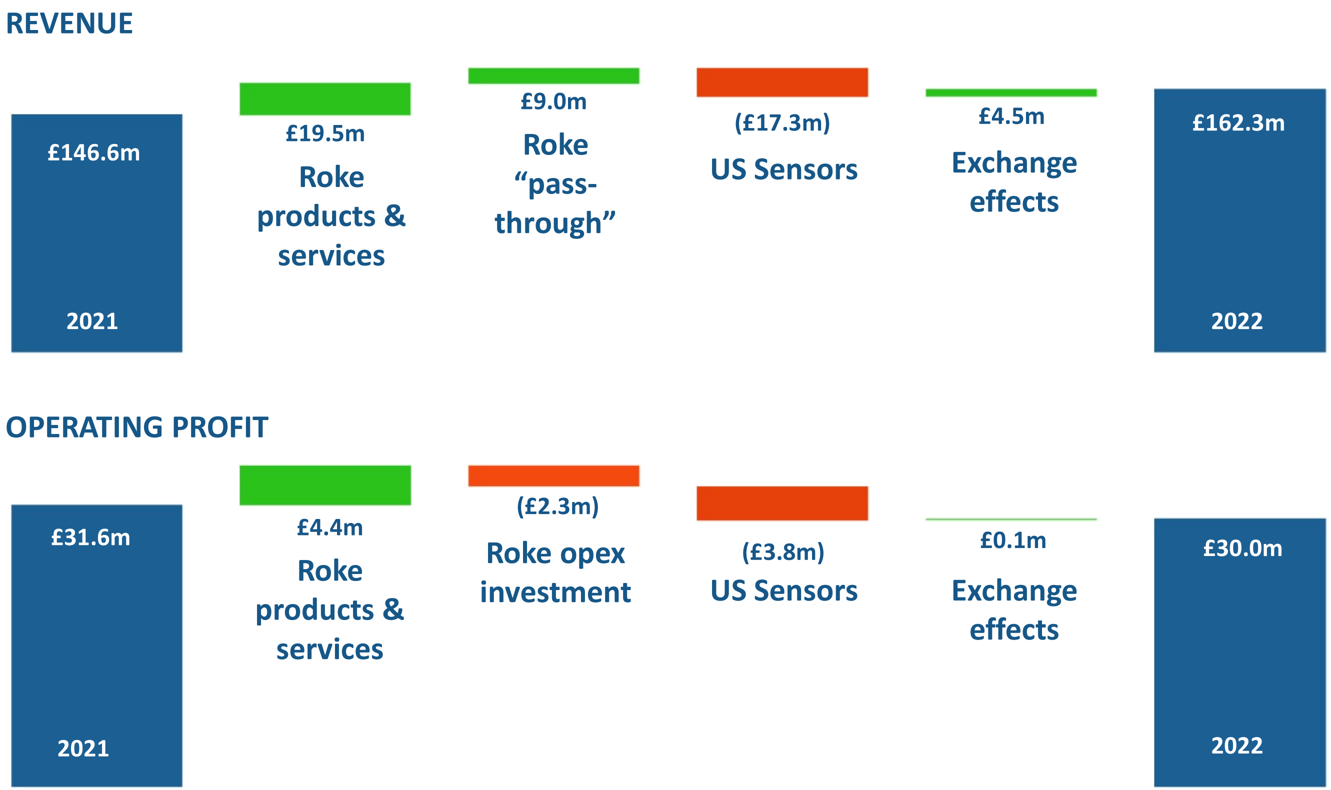




References to EBITDA, operating profit and operating margin are to underlying measures

SENSORS & INFORMATION BRIDGES

- Roke revenue for FY22 included £9m of incremental "pass-through" products and services revenue which dilutes the margin in S&I
- Adjusting for this and the £2.3m opex investment in Roke Academy and Roke USA, the S&I margin would have been 21.1%
- Going forward as Roke "primes" more contracts we see "pass-through" revenue increasing and therefore maintain our segment margin guidance of mid-high teens for S&I over the medium term
- The graph shows the impact of the HMDS transition to sustainment in 2022 which largely impacted H2. We expect to see a full year effect of this in FY23, with potential FRP for JBTDS replacing revenue / profit in US Sensors in FY24/25



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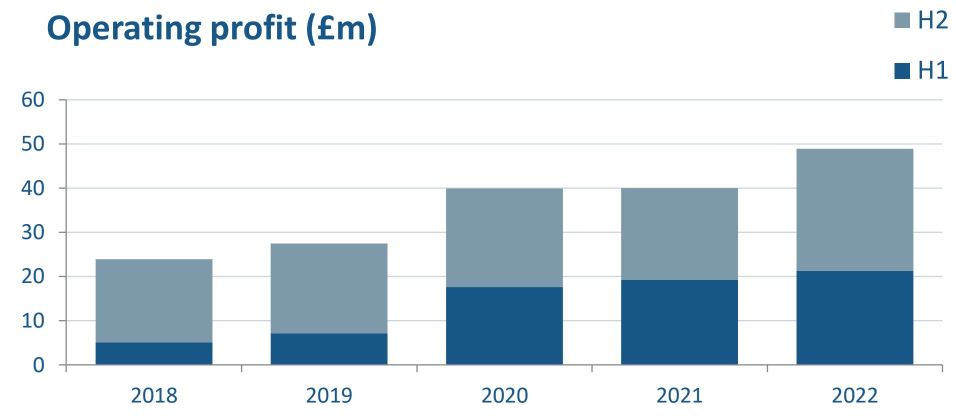
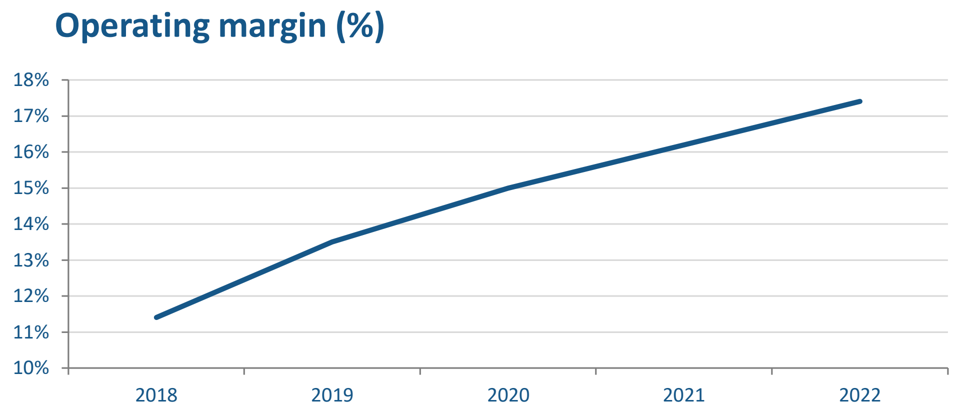
COUNTERMEASURES & ENERGETICS

		2022 £m	2021 £m
Revenue	14%	**280.5**	246.7
EBITDA	14%	**64.2**	56.1
Operating profit	22%	**48.9**	40.0
Operating margin	120bps	**17.4%**	16.2%
Order intake	40%	**356.3**	255.1
Order book	28%	**497.2**	387.2

- Order intake up 40% to £356m driven by multi-year orders across the segment
- Improved operational execution drove margin improvement as benefits of capex investments are realised
- Recovery in niche energetics businesses with order intake up 37% to £137m
- Tennessee extruded flare facility completed, first revenue expected in the first half of 2023
- Successfully navigated challenges from supply chain, energy price increases and inflation which are expected to continue in 2023
- Closing order book of £497m

References to EBITDA, operating profit and operating margin are to underlying measures





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CASH FLOW

£m		2022	2021
Cash generated from continuing underlying operations		**90.1**	80.0
Cash impact of discontinued and non-underlying operations		**(1.1)**	(1.7)
Cash flows from operating activities	14%	**89.0**	78.3
Tax paid		**(8.5)**	(2.6)
Proceeds on disposal of PPE / (Acquisition of subsidiaries)		**6.0**	(4.7)
Capital expenditure		**(34.5)**	(30.2)
Free cash flow	27%	**52.0**	40.8
Finance expense (including capitalised facility fees)		**(1.3)**	(3.7)
Own shares purchased, FX translation and other movements		**(16.9)**	(3.6)
Dividends paid		**(14.4)**	(11.9)
Movement in net debt		**19.4**	21.6
Opening net debt		**(26.6)**	(48.2)
Closing net debt	73%	**(7.2)**	(26.6)
	Net debt excluding IFRS16	**(1.2)**	

- Strong operating cash conversion, 109% operating cash: EBITDA, showing continued focus on working capital and management of intra period net debt volatility
- Capex investment, primarily in C&E segment with major programmes at Scottish, Norwegian and Tennessee sites
- 2023 capex guide remains at c£40m and expected to start to trend back towards depreciation by 2024
- Net debt reduced from £26.6m to £7.2m and net debt: EBITDA reduced from 0.35x to 0.09x

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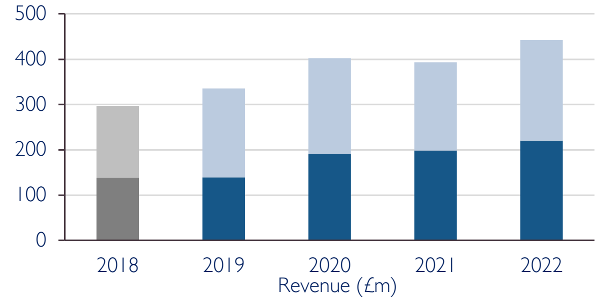
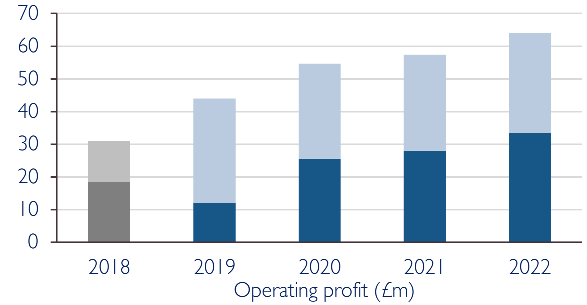
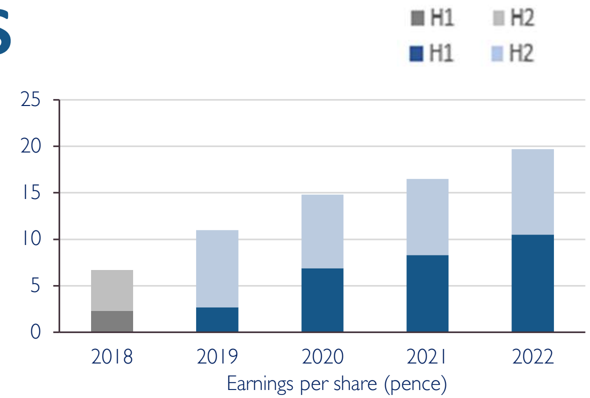
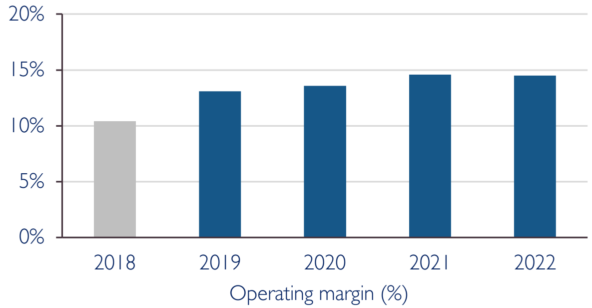
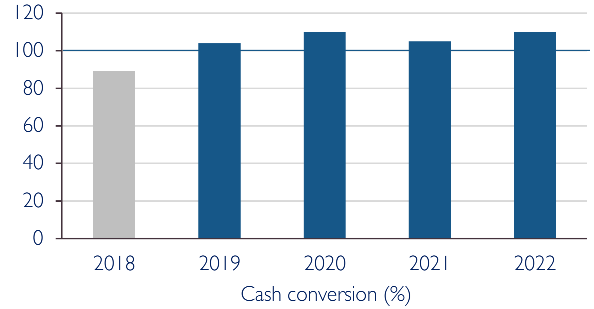
IMPROVED GROUP PERFORMANCE CONTINUES

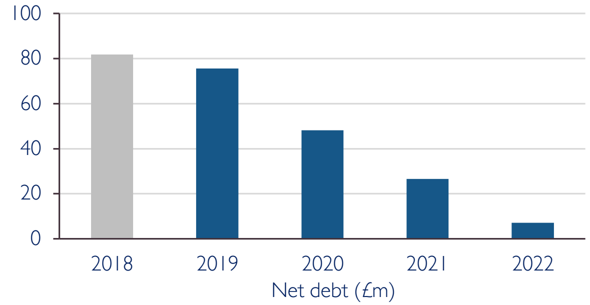












- Good track record of improvement over the last four years
- Operating margin expansion - good progress towards our medium term objective
- Improved quality of earnings with no exceptional items in any of the last four years
- Strong cash conversion over the period
- Investment in the infrastructure of the business with capex (£150m) greater than depreciation (£74m) in each of the last four years while eliminating debt

References to operating profit and earnings per share are to underlying measures

IMPROVING FUTURE VISIBILITY THROUGH A GROWING ORDER BOOK

2022 ORDER BOOK UP 30% TO £651m - £403m EXPECTED TO BE DELIVERED AS REVENUE IN 2023, GIVING 86% COVERAGE

SENSORS & INFORMATION

- Order intake of £195m (2021: £176m), up 11%
- Book to bill ratio of 120% (2021: 120%)
- Year end order book of £154m (2021: £114m)
- 2023 deliveries in order book of £112m, covering 67% of expected 2023 revenue (2021: 65%)

COUNTERMEASURES & ENERGETICS

- Order intake of £356m (2021: £255m), up 40%
- Book to bill ratio of 127% (2021: 103%)
- Year end order book of £497m (2021: £387m)
- 2023 deliveries in order book of £291m, covering 96% of expected 2023 revenue (2021: 95%)

THE ORDER BOOK'S IMPROVED QUALITY IS DRIVEN BY STRONG LONG-TERM CUSTOMER RELATIONSHIPS

Examples include:

- Continued strong order intake from Roke's National Security and Defence customers
- UK countermeasures business secured a five-year contract valued at £34m to supply 55mm MTV air countermeasures as well as orders totalling £18m from UK MOD and £26m from long-term NATO customers
- US countermeasures won 100% of a competitive bid for MTV extruded countermeasures to be made in our new Tennessee facility totalling $38m and also received a $36m order to manufacture special material aircraft decoy flares in our Pennsylvania facility

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MICHAEL ORD
GROUP CHIEF EXECUTIVE

MARKET ENVIRONMENT

Expected increase in global defence spending driven by evolving threat landscape

- Force modernisation and potential inventory building
- Battlefield competition using traditional capabilities
- Sub-threshold “grey zone” competition using novel/digital capabilities including OSINT

Robust defence budgets in UK, US and Europe

- Growing US budget driven by preparation for peer to peer/near-peer competition
- Defence an increasing priority for government spending in the UK
- Expected budget increases in Europe as countries prioritise meeting NATO spending commitments

✓ Well placed to support customers’ requirements resulting from the evolving threat environment

✓ Group capabilities in Active Cyber Defence, Electronic Warfare, Space and Missile Systems, and Bio-Security are aligned with customer priorities

CONSISTENT APPROACH TO STRATEGY

Our strategy is to deliver profitable and sustainable growth by operating in markets where we have differentiating technology, deep customer relationships, and where high barriers to entry have been created

In 2023 our strategic imperatives are to:

- Continue our programme of **modernisation** and **investment** to deliver **operational excellence**
- Continue to **grow** our **Roke** business
- **Invest** in new and adapt existing **technologies** to meet evolving customer requirements
- Pursue **specific new market opportunities** with our Defence, Security and Industrial customers
- Accelerate growth opportunities with **focused, strategy-led acquisitions**

Balancing Short Term Performance with Long Term Growth & Value Creation

ROKE'S GROWTH PLAN

With growing market demand and customer budgets Roke is a key enabler of our wider growth ambitions

- Successful execution of strategy has seen Roke double in size over previous five-year period
- Plan for next five-year period is to again double revenue to >£200m whilst maintaining strong margins

- Continue to grow in established core markets:
  - **National Security** – active cyber defence and operational mission support services
  - **Defence** – Cyber & Electromagnetic Activities (CEMA), and Information Advantage products and services, including continued investment in **Roke USA**
- **Futures** will leverage Roke technology and know-how into adjacent non-traditional market opportunities such as Law Enforcement, Aerospace, Energy, and Digital Health
- Rapidly growing Open Source Intelligence (OSINT) market presents opportunity to establish and grow an **Intelligence as a Service** business serving government and commercial customers
- Robust pipeline of **technology-based acquisition targets** to supplement organic growth

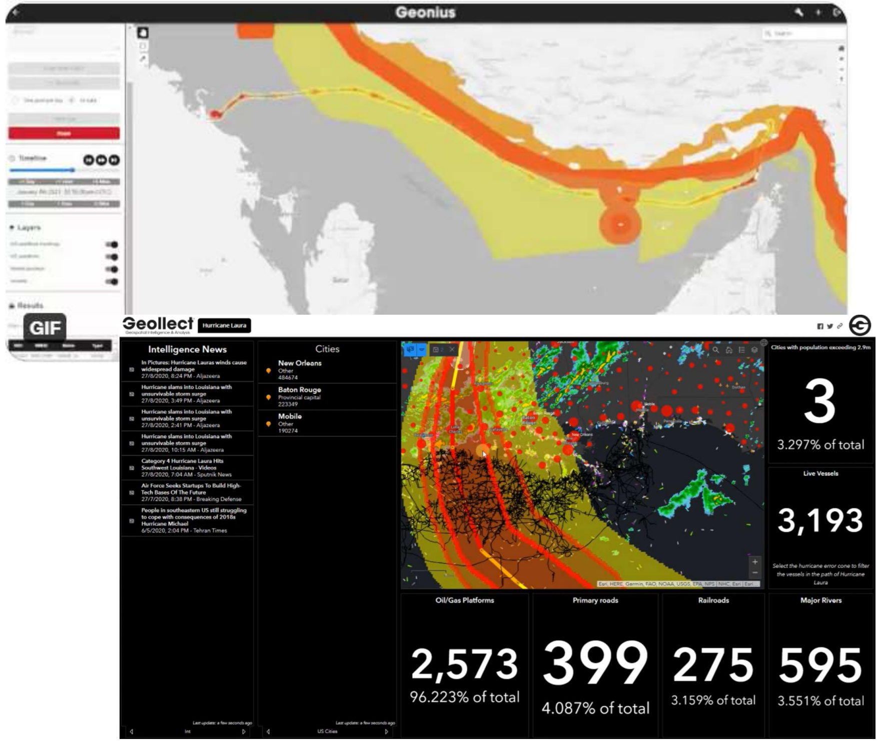
ACQUISITION OF GEOLLECT

- Geollect, a UK leader in geospatial intelligence technologies, was acquired in December 2022 having received NSIA regulatory approval

- Geollect provides a market leading geospatial intelligence platform, data engine and investigatory tradecraft capability

- Acquisition provides a springboard for OSINT market entry and Intelligence as a Service offering, together with access to new and adjacent markets – maritime, insurance, critical infrastructure

- Geollect capabilities complement Roke’s technology and product roadmaps in the fields of data ingestion, artificial intelligence, machine learning and data science

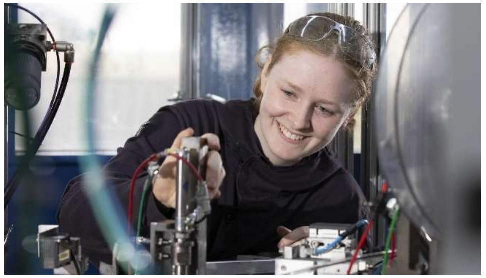


Geollect™

FY20/21 Revenue £0.8m, 25 employees located in Bristol, UK with a satellite office in Virginia, USA

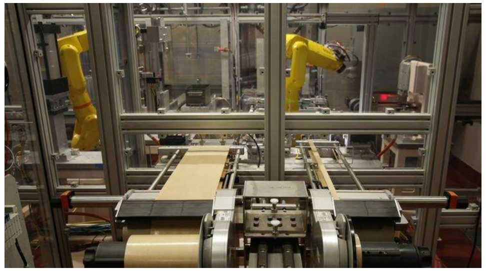
COUNTERMEASURES & ENERGETICS SECTOR

We continue to protect our market leading positions with government and commercial customers, as they assess inventory building requirements driven by the current threat environment



Key areas of focus:

- Continue to **secure longer-term contracts** with government and commercial customers
- Ongoing **modernisation** across our sites, **improving safety and competitiveness** through investment in **automation** and **lean** manufacturing capabilities
- **Tennessee** capacity expansion project scheduled to deliver **initial revenues** in H1 FY23
- Modernisation of **Scotland** and **Norway** sites underway, with **growing market demand** for their propellant and speciality material products



High margin manufacturing and speciality material businesses with niche markets

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GROWING DEMAND IN US SPACE AND MISSILES MARKETS

- **Space** established as a military domain in its own right and significant growth in **Commercial Space** launch
- US DoD heavily investing in space capabilities, building missile **inventories,** and developing next generation **hypersonic** missile systems
- Chemring has an **established position** in the US space and missile markets

Key areas of focus to **deliver growth**:

- Capturing growing demand for current systems and expanding into **new platforms and programmes**
- Investing in **new product development**
- Exploring **acquisition options** to build out from our current niche position

Growth opportunities for companies with capabilities to access space and missile markets

ESG HIGHLIGHTS IN 2022

HEALTH & SAFETY

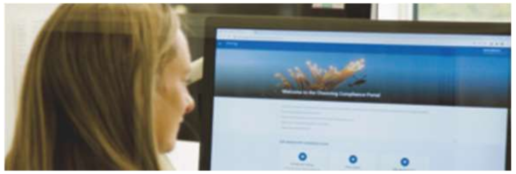
- Total Recordable Injury Frequency (TRIF) rate at 0.78, well below annual limit of 1.0
- Zero injuries in connection with or arising from energetic events
- Independent review confirms good progress on our journey towards becoming a high reliability organisation

ENVIRONMENT

- Independently audited Scope 1 and Scope 2 GHG emissions reduced by 7.3% to 19,175 CO_2e tonnes on higher revenue
- Water consumption reduced by 22.6%
- Carbon reduction plans now being delivered in every business, including: switching to bio-fuels, energy efficient buildings and rationalisation to reduce footprint and energy usage

PEOPLE

- Development programmes, including DE&I training, now in place for all colleagues in management roles and for Early Careers colleagues
- Aspire@Chemring programme launched to support our business growth plans, building the skills necessary to manage in modern working environment
- Women’s Inclusivity Network launched supporting female colleagues globally



ETHICS & BUSINESS CONDUCT

- Serious Fraud Office investigation closed
- Updated Code of Conduct and training issued
- Continued implementation of the Chemring Compliance Portal

- ESG Performance targets now part of annual and long-term incentive arrangements for senior leaders across the Group
- CDP submission completed in year, further improving the Group’s non-mandatory disclosure

We are committed to building a strong and sustainable company

FY23 OUTLOOK

- Continue to build a **high quality business** for sustainable performance and growth
- Strengthening our values-based culture of **Safety, Excellence and Innovation**
- **Growing order book** across our US and UK home markets
- Approximately **86%** of 2023 expected revenue **covered** by order book
- Focus on **strong cash generation** enabling opportunities for **further growth**
- Board's **expectations for 2023 performance remain unchanged**

Helping to make the world a safer place by delivering innovative protective technologies

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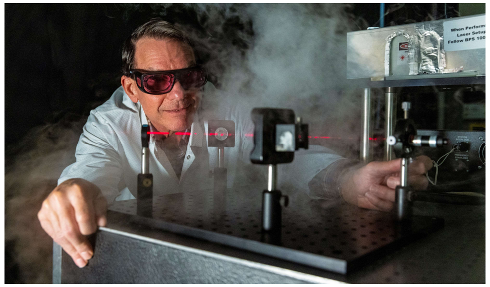
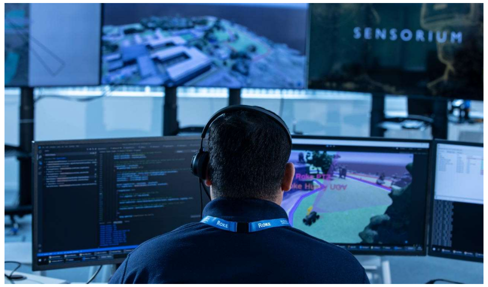
CONCLUSION

- Chemring is **well placed** with **multiple market-leading positions** across different geographies and sectors
- **Investing** in high technology niches **provides** attractive **long-term growth** opportunities
- Future growth will be maintained by focusing on our **strategic imperatives**:
  - Continue to **grow** our **Roke** business
  - **Invest** in new and adapt existing **technologies** to meet evolving customer requirements
  - Pursue **specific new market opportunities** with our Defence, Security and Industrial customers
  - Accelerate growth opportunities with **focused, strategy-led acquisitions**

Balancing Short Term Performance with Long Term Growth & Value Creation





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APPENDICES

APPENDIX 1. CHEMRING AT A GLANCE

A TECHNOLOGY COMPANY WITH AN INTERNATIONAL FOOTPRINT AND
A BREADTH OF MARKET LEADING PRODUCTS AND SERVICES

SENSORS & INFORMATION

- Focused on information and electronic warfare, chemical & biological agent and explosive hazard detection
- Operating across defence, national security and industrial domains
- Operate across whole life cycle – advice, engineering, design, research and solutions
- 700+ scientists, engineers and consultants

COUNTERMEASURES & ENERGETICS

- Focused on advanced expendable countermeasures to protect air and sea platforms from the threat of missile attack
- High reliability single use devices performing critical functions for the space, aerospace, defence and industrial markets
- Cutting edge innovations including aircraft safety systems and space applications

INNOVATING TO PROTECT

We place safety at the heart of everything we do

Focused on ensuring we consistently meet high standards

We create world-class solutions and develop world-class thinking

APPENDIX 2. ORGANISATIONAL CHART

- **CHEMRING GROUP PLC**
  - **SENSORS & INFORMATION**
    - Roke (UK)
    - Chemring Sensors & Electronic Systems (USA)
    - Roke USA Inc.
  - **COUNTERMEASURES & ENERGETICS**
    - Chemring Countermeasures (UK)
    - Chemring Countermeasures USA (Kilgore Flares)
    - Chemring Countermeasures USA (Alloy Surfaces)
    - Chemring Australia
    - Chemring Energetics UK
    - Chemring Nobel (Norway)
    - Chemring Energetic Devices (USA)
    - Chemring Technology Solutions (UK)

APPENDIX 3. INVESTMENT CASE

- Significant multi-year visibility and high barriers to entry
- Diversified, protection-led portfolio, with strong customer relationships
- We operate in niche markets where we have technology differentiation
- Longer-term growth underpinned by increasing demand and possible market share gains augmented by selective acquisitions
- Mid teens margin Group with strong cash conversion

APPENDIX 4. ROKE'S MARKETS AND OPPORTUNITY

Growth

Defence

Cyber as the 5th domain within a Multi Domain Integration (Integrated across Government, Integrated Across Domains and Integrated with Allies) context.

Sub-threshold warfare as a continuum to peer warfare; persistent engagement.

Shift from platform to information centric warfare; link sensor to cognition.

National Security

Geopolitical situation is the growing importance of the Indo-Pacific, China's increasing international assertiveness and EU/NATO resurgence post the Russian invasion of Ukraine.

Systemic competition between states, values and systems of government; combined with global generational debt reduces standards of living and increases unrest.

Rapid technology change and a move to Everything as a service challenges legacy centres of corporate, social, and national power.

Scale

Intelligence as a Service (IaaS)

Demand for curated and analysed Open Source Intelligence (OSINT) is increasing at 25% CAGR on a current market size of c£5Bn.

Not only is it a valuable National Security Asset as seen in Ukraine, it is increasingly being used for CNI protection and insurance underwriting.

Law Enforcement

The transformation of digital communication alongside increasing data volumes and complexity requires innovative, scalable data capture & exploitation capabilities that use technology to scale beyond headcount.

Increasing social, political & regulatory pressure is resulting in a burgeoning counter-online harms industry, with a strong push for ethically-built AI solutions for these most challenging problems.

Aerospace

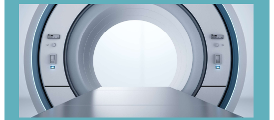
Market pressures to increase safety, performance and life spans of high value assets (such as engines), is driving demand for intelligent & secure digital solutions.

Technology that improves operational effectiveness through automation, deskilling complex activities and/or increasing asset security are in high demand.

Energy

Increasing challenges associated with aging asset estates (cost, safety, security, environmental) are driving investment into better maintenance technologies as well as new energy sources (eg. SMR).

Intelligent sensing & situational awareness solutions are needed to improve operational security & performance of safety critical infrastructure.



Digital Health

A need to increase capacity of care services to address backlogs and reduce costs with limited resources, is driving demand for intelligent and connected digital solutions.

Intelligent sensing & data driven solutions that support more efficient clinician decision making are critical, noting trust and patient data security is paramount.

- Underpinning this growth is the need to continue to scale staff growth and intellectual capabilities
- Roke headcount has increased from c.400 at the end of 2018 to over 850 today - driven by the success of its graduate and apprenticeship schemes, Roke Academy, and its geographic expansion (Woking, Gloucester, Manchester)

APPENDIX 5. CHEMRING'S TRANSFORMATION

ACHIEVEMENTS SINCE MARCH 2019 STRATEGIC REVIEW

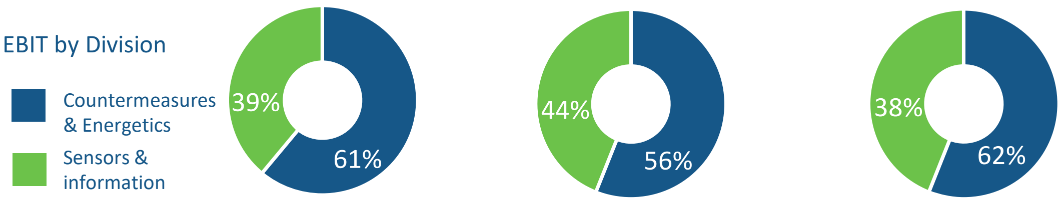
- Embedded a proactive safety and risk management culture
- Strategic exit from commoditised energetics
- Strengthened divisional management teams
- Established Roke as a high growth technology business
- Increased margins by 410bps
- Decreased net debt from £81.8m to £7.2m while spending circa £150m on capex over the period
- Secured EMBD biological detection Program of Record contract win

ORGANIC GROWTH, MARGIN EXPANSION AND NEW STRATEGIC FOCUS HAS DRIVEN A MAJOR RE-RATING AND VALUATION UPLIFT

		"Then" 2018	2021	"Now" 2022
Financial & Operational	Revenue	£297m	£393m	**£443m**
	Operating profit	£31.0m	£57.5m	**£64.0m**
	% EBIT	10.4%	14.6%	**14.5%**
	EPS (diluted)	6.7p	16.5p	**19.7p**
	Net debt	£81.8m	£26.6m	**£7.2m**
	Leverage	1.6x	0.35x	**0.09x**
	Injury rate	2.77	0.67	**0.78**
Valuation	Share price	~160p	~290p	**~305p**
	Market cap.	~£450m	~£820m	**~£860m**
	EV / EBITDA	9x	11x	**10x**
	P/E (normalised)	14x	18x	**15x**

Business mix

EBIT by Division



* Multiples calculated based on last twelve months EBITDA/ earnings

APPENDIX 6. IMPACT OF FOREIGN EXCHANGE TRANSLATION - SEGMENTAL

Group	Constant currency movement	2022 restated at 2021 rates £m	2021 £m	2022 £m
Revenue	↑ 7%	**421.2**	393.3	442.8
EBITDA	↑ 5%	**79.9**	76.4	82.3
Operating profit	↑ 8%	**62.2**	57.5	64.0
Order book	↑ 21%	**604.1**	500.8	650.9

Sensors & Information	Constant currency movement	2022 restated at 2021 rates £m	2021 £m	2022 £m
Revenue	↑ 8%	**157.8**	146.6	162.3
EBITDA	↓ 5%	**32.8**	34.4	33.0
Operating profit	↓ 5%	**29.9**	31.6	30.0
Order book	↑ 30%	**148.0**	113.6	153.7

Countermeasures & Energetics	Constant currency movement	2022 restated at 2021 rates £m	2021 £m	2022 £m
Revenue	↑ 7%	**263.4**	246.7	280.5
EBITDA	↑ 10%	**61.7**	56.1	64.2
Operating profit	↑ 17%	**46.6**	40.0	48.9
Order book	↑ 18%	**456.1**	387.2	497.2

APPENDIX 7a. INCOME STATEMENT

£m			2022	2021
Revenue	↑	13%	**442.8**	393.3
Operating profit	↑	11%	**64.0**	57.5
Operating margin			**14.5%**	14.6%
Finance expense	↓	6%	**(1.5)**	(1.6)
Profit before tax	↑	12%	**62.5**	55.9
Tax rate			**9.1%**	14.8%
Earnings per share (diluted)	↑	19%	**19.7p**	16.5p
Dividend per share	↑	19%	**5.7p**	4.8p

- Strong performance at Roke, with revenue exceeding £100m and double digit growth in operating profit
- Countermeasures & Energetics benefited from improved operational execution
- USD average exchange rate moved from $1.38 to $1.23 giving an operating profit tailwind of £1.8m
- Tax rate reduction due to recognition of a non-cash deferred tax asset in respect of potential future interest deductions in the US

References to operating profit, profit before tax and earnings per share are to underlying measures

APPENDIX 7b. BALANCE SHEET

£m	2022	2021
Goodwill & intangibles	**129.5**	122.8
Development costs	**34.6**	30.0
Property, plant & equipment	**231.3**	198.7
Trade working capital	**93.9**	84.4
Pension surplus	**11.2**	13.7
Other	**(75.2)**	(70.2)
	425.3	379.4
Net debt	**(7.2)**	(26.6)
Net assets	**418.1**	352.8

- Net debt reduced from £26.6m to £7.2m and net debt: EBITDA reduced from 0.35x to 0.09x
- Over the 3 year period, 108% of EBITDA has been converted to operating cash (2021: 107%) funding reinvestment in capex
- Increase in absolute value of working capital driven by FX. Working capital as a % of revenue has remained consistent at 21% (2021: 21%)
- Total facilities of £159m, of which £137m were undrawn at 31 October 2022, provide good immediately available liquidity

Future focus

- Continue to drive strong operating cash conversion to fund capex in 2023 as Scotland and Norway site investments are completed
- Free cash flow likely to strengthen further in 2023/24 as capex trends towards depreciation having been elevated for four years

APPENDIX 8. DEFINED BENEFIT PENSION

£m	2022	2021
Equities	**-**	18.4
Liability driven investments	**25.3**	24.7
Diversified alternatives	**26.9**	27.3
Multi-asset credit	**7.8**	23.3
Assets held by insurance company	**1.1**	1.5
Cash	**10.3**	9.4
Total assets	**71.4**	104.6
Defined benefit obligation	**(60.2)**	(90.9)
Net surplus	**11.2**	13.7

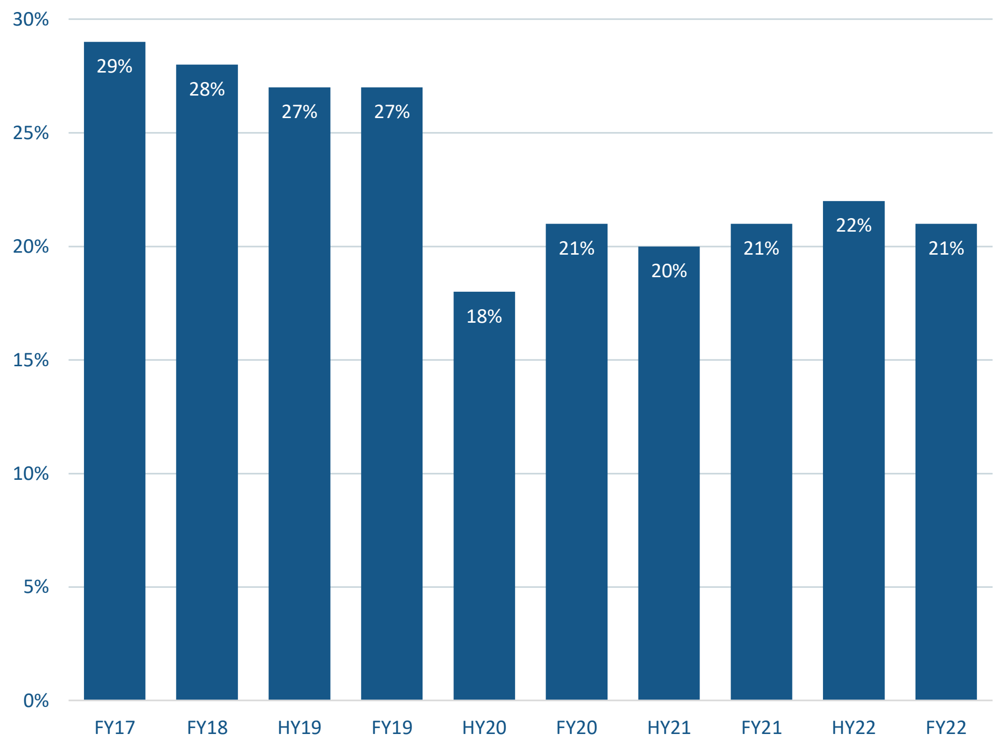
- During final quarter of year the pension scheme exited its portfolio of equity investments and the majority of multi-asset credit investments in anticipation of the need for liquid cash resources to meet the margin calls on the liability driven investments (LDI), as gilt yields rose rapidly in September 2022.
- The interest rate and inflation hedge effectiveness of the Group's LDI investment strategy has been maintained at approximately 100% of its defined benefit obligation.
- The Group also lent the pension scheme £2m on a short-term basis to cover further margin calls in October 2022, which was repaid in November 2022.
- Scheme assets as a percentage of liabilities increased from 115% to 119% in FY22.

APPENDIX 9. TRADE WORKING CAPITAL

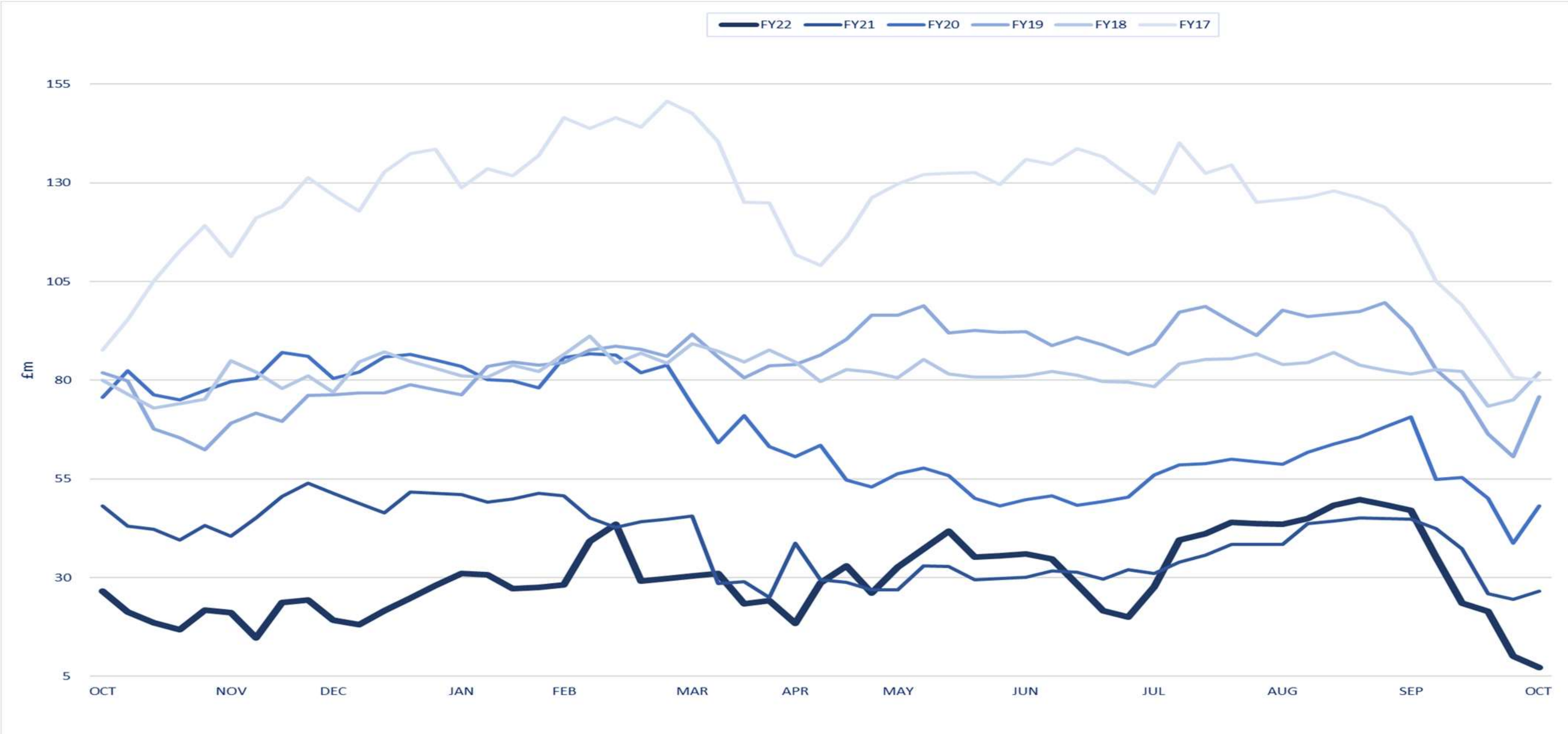
£m		2022	2021
Inventories		**99.6**	80.7
Advance receipts from customers		**(26.6)**	(17.1)
Net inventory		**73.0**	63.6
Receivables		**33.3**	40.9
Payables		**(14.7)**	(13.1)
Other items		**2.3**	(7.0)
	11%	**93.9**	84.4

		2022	2021
Revenue (£m)	13%	**442.8**	393.3
Working capital as a % of revenue		**21%**	21%

Working capital as a % of revenue



APPENDIX 10. WEEKLY NET DEBT



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APPENDIX 11. NON-UNDERLYING ITEMS

£m	Note	2022 P&L cost	2022 Cash paid
Acquired intangibles amortisation		(4.6)	-
Acquisition expenses	a	(2.0)	(1.0)
Mark to market of FX forward contracts		(4.1)	-
Claim related costs		-	(0.1)
Impact on profit before tax / total cash paid		(10.7)	(1.1)
Tax credit on non-underlying items		1.3	
Impact on profit after tax		(9.4)	

Notes

a - £1m relating to IFRS 2 charge on acquisition of the Cubica Group and £1m relating to professional fees incurred in relation to mergers and acquisitions activity

APPENDIX 12. MEDIUM TERM FINANCIAL OBJECTIVES AND ASSUMPTIONS

REVENUE	• S&I - Segmental mid single digit % growth from double digit growth in Roke and low single digit growth in US Sensors, with the potential for step changes as the US PoRs commence FRP • C&E - Low single digit % growth
OPERATING MARGINS	• S&I – Targeting high teen return on sales % in the medium term as the US PoRs commence FRP, 2023 diluted by 2% due to opex investment in Roke USA and the start up of Roke Academy • C&E – Targeting mid to high teen return on sales % in the medium term • Group – Targeting mid teen return on sales % in the medium term
INTEREST	• Now expected to increase in 2023 as higher interest rates drives increased finance costs for £150m facility
CAPEX	• £40m for 2023 as investment in safety, automation and catch up capex continues in the main manufacturing facilities. Expected to trend towards depreciation in FY24 having been elevated for four years
FX	• US$1.20: £1 • Sensitivity to 10 cents movement in $ rate is £1m at an annual underlying operating profit level and £14m at a revenue level
TAX	• 2023 rate is expected to trend upwards from 2022 level to the mid teens and then increase towards approximately 20% as UK statutory rate increases from 19% to 25%

APPENDIX 13. MARKET CONSENSUS 2023 & 2024

- The Group is aware of eight analysts publishing independent research on the Group
- The Group has compiled consensus data* from the research it has been made aware of, as set out below:

	2023	2024
Revenue (£m)	461	480
Underlying operating profit (£m)	68.0	71.9
Underlying earnings per share (pence)	19.4	19.6
Net cash (£m)	1	26

*Compilation of data only, does not represent the Group's views of projections

APPENDIX 14. GLOSSARY

Acronym	Meaning	Acronym	Meaning
CCM UK	Chemring Countermeasures UK	**HMDS**	Husky Mounted Detection System
CCM US	Chemring Countermeasures USA	**IDIQ**	Indefinite Delivery Indefinite Quantity
CED	Chemring Energetic Devices	**JBTDS**	Joint Biological Tactical Detection System
CEUK	Chemring Energetics UK	**LRIP**	Low Rate Initial Production
CEMA	Cyber and Electromagnetic Activities	**LTI**	Lost Time Incident
CHA	Chemring Australia	**MENA**	Middle East & North Africa
CHG	Chemring Group	**MTV**	Magnesium Teflon Viton
C&E	Countermeasures & Energetics	**NSIA**	National Security and Investment Act
DE& I	Diversity, Equity & Inclusion	**NATO**	North Atlantic Treaty Organisation
EMBD	Enhanced Maritime Biological Detection	**OSINT**	Open Source Intelligence
ESG	Environmental, Social & Governance	**PoR**	Program of Record
EW	Electronic Warfare	**SFO**	Serious Fraud Office
FRP	Full Rate Production	**S&I**	Sensors & Information
F-35	F-35 Joint Strike Fighter	**UK MOD**	United Kingdom Ministry of Defence
GHG	Greenhouse Gases	**US DoD**	United States Department of Defense

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