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Chemring Group PLC

(incorporated and registered in England and Wales with registered number 86662)

Proposed European Munitions Business Disposal

and

Notice of General Meeting

The whole document should be read. Your attention, in particular, is drawn to the risk factors set out in Part II (*Risk Factors*) of this document and the letter from the Chairman of Chemring that is set out in Part I (*Letter from the Chairman of Chemring*) of this document and which contains a recommendation from the Directors that you to vote in favour of the Resolution to be proposed at the General Meeting.

Notice of a General Meeting of Chemring to be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, EC4Y 1HS at 9.00 a.m. on 12 May 2014 is set out in Part VIII (*Notice of General Meeting*) of this document.

The actions to be taken in respect of the General Meeting are set out in Section 11 of Part I (*Letter from the Chairman of Chemring*) of this document. Shareholders will find enclosed with this document a Form of Proxy for use in connection with the General Meeting. Whether or not you intend to attend the General Meeting in person, please complete and sign the Form of Proxy (or appoint a proxy electronically, as referred to below) in accordance with the instructions printed on them and return them to Chemring's Registrars, Computershare Investor Services PLC, of The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible and, in any event, so as to be received by no later than 48 hours prior to the time appointed for the holding of the General Meeting. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting, should they so wish.

If you have any questions about this document, the General Meeting or on the completion and return of the Form of Proxy, please call the shareholder helpline between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (except UK public holidays) on 0870 889 3289. Please note that calls may be monitored or recorded and the helpline cannot provide financial, legal or tax advice or advice on the merits of the Disposal.

Investec Bank plc, which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for Chemring and for no one else in connection with the matters described in this document and is not, and will not be, responsible to anyone other than Chemring for providing the protections afforded to its clients nor for providing advice in connection with the matters set out in this document.

Moelis & Company UK LLP, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for Chemring and for no one else in connection with the matters described in this document and is not, and will not be, responsible to anyone other than Chemring for providing the protections afforded to its clients nor for providing advice in connection with the matters set out in this document.

Capitalised terms have the meaning ascribed to them in Part VII (*Definitions*) of this document.

AVAILABILITY OF HARD COPIES

If you have received this document in electronic form, you may request a hard copy of this document and/or any information incorporated by reference into this document by calling the shareholder helpline between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (except UK public holidays) on 0870 889 3289. Please note that calls may be monitored or recorded and the helpline cannot provide financial, legal or tax advice or advice on the merits of the Disposal. You may also request that all future documents, announcements and information to be sent to you in relation to the Disposal should be in hard copy form. Copies of this document and any document or information incorporated by reference into this document will not be provided unless such a request is made.

INFORMATION REGARDING FORWARD LOOKING STATEMENTS

This document contains statements which are, or may be deemed to be, “forward looking statements” which are prospective in nature. All statements other than statements of historical fact are forward-looking statements. They are based on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward looking statements can be identified by the use of forward looking words such as “plans”, “expects”, “is expected”, “is subject to”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes”, “targets”, “aims”, “projects” or words or terms of similar substance or the negative thereof, are forward-looking statements, as well as variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements include statements relating to (a) future capital expenditures, expenses, revenues, earnings, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects, (b) business and management strategies and the expansion and growth of the Chemring Group’s operations, and (c) the effects of global economic conditions on Chemring’s business.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause actual results, performance or achievements of Chemring to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Important factors that could cause actual results, performance or achievements of Chemring to differ materially from the expectations of Chemring, include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation and policy, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, interest rates and currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors discussed in Part II (*Risk Factors*) of this document. Such forward-looking statements should therefore be construed in light of such factors.

Neither Chemring nor any of its directors, officers or advisers provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Other than in accordance with its legal or regulatory obligations (including under the Listing Rules and the Disclosure and Transparency Rules), Chemring is not under any obligation and Chemring expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

NO PROFIT FORECAST

No statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings per Chemring Share for the current or future financial years would necessarily match or exceed the historical underlying published earnings per Chemring Share.

FINANCIAL INFORMATION

Where relevant in this document, unless otherwise stated, € amounts have been converted into £ at an exchange rate of 1.2161.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Disposal	24 April 2014
Latest time and date for receipt of Forms of Proxy for the General Meeting	9.00 a.m. on 10 May 2014
General Meeting	9.00 a.m. on 12 May 2014
Expected date of Mekar Completion	19 May 2014
Expected date of Simmel Completion	31 May 2014
Mekar Long Stop Date	24 June 2014
Simmel Long Stop Date	24 October 2014

Notes:

All time references in this document are to London time.

These dates are provided by way of indicative guidance and are subject to change. If any of the above times and/or dates change, Chemring will give adequate notice by issuing an announcement through an RIS.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Peter Hickson Mark Papworth Steve Bowers Sarah Ellard Ian Much Nigel Young Vanda Murray Andy Hamment	<i>(Chairman)</i> <i>(Group Chief Executive)</i> <i>(Group Finance Director)</i> <i>(Group Legal Director & Company Secretary)</i> <i>(Senior Independent Director)</i> <i>(Non-Executive Director)</i> <i>(Non-Executive Director)</i> <i>(Non-Executive Director)</i>
Company Secretary	Sarah Ellard	
Registered Office	Chemring House 1500 Parkway Whiteley Fareham Hampshire PO15 7AF	
Sponsor	Investec Bank plc 2 Gresham Street London EC2V 7QP	
Financial Adviser	Moelis & Company UK LLP 1st Floor Condor House 10 St Paul's Churchyard London EC4M 8AL	
Legal Advisers	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS	
Reporting Accountants and Auditors	Deloitte LLP Abbots House Reading RG1 3BD	
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE	

PART I

LETTER FROM THE CHAIRMAN OF CHEMRING

CHEMRING GROUP PLC

(Incorporated and registered in England and Wales with registered number 86662)

Directors:

Peter Hickson	<i>(Chairman)</i>
Mark Papworth	<i>(Group Chief Executive)</i>
Steve Bowers	<i>(Group Finance Director)</i>
Sarah Ellard	<i>(Group Legal Director & Company Secretary)</i>
Ian Much	<i>(Senior Independent Director)</i>
Nigel Young	<i>(Non-Executive Director)</i>
Vanda Murray	<i>(Non-Executive Director)</i>
Andy Hamment	<i>(Non-Executive Director)</i>

Registered Office:

Chemring House
1500 Parkway
Whiteley
Fareham
Hampshire
PO15 7AF
England

24 April 2014

Dear Shareholder,

Proposed European Munitions Business Disposal and Notice of General Meeting

1. INTRODUCTION

On 24 April 2014, Chemring announced that it had entered into certain agreements with Nexter with respect to the sale of its European Munitions Business, which comprises Mecar and Simmel (the “Disposal”). This strategic disposal re-shapes the Retained Group for future growth enabling Chemring to refocus on its core competencies and implementing a key recommendation of the strategic review. Following completion of the Disposal, Chemring will be a focused defence technology business with well-established positions in Sensors & Electronics, Countermeasures and Energetic Systems.

The aggregate cash consideration payable to Chemring for Mecar and Simmel under the terms of the Disposal is up to €167.8 million (£138.0 million) of which €119.2 million relates to Mecar and up to €48.6 million relates to Simmel (which includes an earn out payment of up to €8.0 million). In addition, and separate from the consideration to be paid by Nexter, Mecar is due to pay a dividend of €13.0 million to Chemring before Completion.

The earn-out payment of up to €8.0 million for Simmel will become payable subject to the terms of a customer contract which is expected to be awarded to Simmel. The principal terms of the Sale Agreements for the Disposal are described in more detail in Part V (*Summary of the Principal Terms and Conditions of the Mecar Disposal and Simmel Disposal*) of this document.

The Disposal constitutes a Class 1 transaction for Chemring under the Listing Rules and Completion is therefore conditional on the approval of our Shareholders. Accordingly, a General Meeting at which Shareholders will be asked to approve the Disposal is being convened at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, EC4Y 1HS at 9.00 a.m. on 12 May 2014.

The purpose of this document is to provide you with information on the Disposal (and each of the Mecar Disposal and Simmel Disposal), to explain the background to and reasons for each and why the Board believes they are in the best interests of Shareholders taken as a whole. The Board recommends that you vote in favour of the Resolution to be proposed at the General Meeting. The Directors have each irrevocably undertaken to vote in favour of the Resolution at the General Meeting in respect of their own Chemring Shares to which they are beneficially entitled (representing approximately 0.2 per cent. of the total issued share capital of Chemring as at 23 April 2014 (being the last practicable date prior to publication of this document)).

2. BACKGROUND TO AND REASONS FOR THE EUROPEAN MUNITIONS BUSINESS DISPOSAL

Chemring is a global defence technology company primarily focused on the development and manufacture of Sensors & Electronics, Countermeasures and Energetic Systems, which are sold to a range of NATO and non-NATO customers. Chemring entered the ammunition market in 2007 with the acquisition of Simmel, followed by the acquisition of Mecar in 2010. Over recent years, each of Mecar and Simmel has made significant progress, executing a strategy of expanding ammunition sales into new higher growth, non-NATO markets, winning new customers in South America and the Far East and major new contracts in the Middle East. However, the businesses remain of a relatively small scale in a competitive international munitions market, which tends to be volatile and requires high levels of working capital.

Following the strategic review undertaken in 2013, the Board decided to initiate a competitive sale process for Mecar and Simmel. The Board believes that Nexter's munitions division is better placed over the medium to long term to maximise the potential value of Mecar and Simmel as part of Nexter's broader ammunition offering. The Board also believes that the consideration of up to €167.8 million for Mecar and Simmel represents an attractive value for the businesses. In addition to refocusing Chemring around its core competencies, the Disposal will enable the Board to meet its objective of improving the Retained Group's financial position. Given limited commonality of products, factories and routes to market with the rest of the Chemring Group, it is not anticipated that the Disposal will have any detrimental impact on the ongoing operations of the Retained Group. In light of these factors and its strategic objectives for the Chemring Group, the Board proposes to sell Mecar and Simmel to Nexter.

3. INFORMATION ON THE EUROPEAN MUNITIONS BUSINESS

The European Munitions Business consists of Mecar and Simmel.

Information on Mecar

Mecar is a Belgian manufacturer of ammunition for light armoured vehicles, tanks and infantry. It has well-established routes into Middle Eastern markets, supported by an agile capability to develop and manufacture modern rounds for a range of current and legacy weapon-systems.

Its product range is matched to the requirements of its land-forces customers:

- medium and large calibre ammunition – a range of high explosive, armour-piercing and pyrotechnic rounds;
- mortar ammunition – a range of high explosive and pyrotechnic rounds for 120mm high pressure mortar systems, including the NEMO turreted system;
- legacy ammunition – a range of ammunition for older weapon systems; and
- rifle grenades, hand grenades and pyrotechnics.

Information on Simmel

Simmel is an Italian medium and large calibre ammunition supplier specialising in naval ammunition. It has a geographically balanced portfolio of NATO and non-NATO customers, and its products include:

- naval ammunition – a range of single and multi-function rounds for the main NATO naval guns;
- mortar ammunition – supplies UK Ministry of Defence with specialist pyrotechnic illumination rounds; and
- missile and ammunition components – provides devices for a number of advanced missiles including the Aster and IRIS-T and modern proximity and multi-function ammunition fuzes.

Results for the European Munitions Business

A summary of the results for the European Munitions Business for the three years ended 31 October 2013, extracted without material adjustments from Part III (*Financial Information on the European Munitions Business*) of this document, is set out below:

	Year ended 31 October 2011 £m	Year ended 31 October 2012 £m	Year ended 31 October 2013 £m
Revenue	195.2	206.7	152.0
Operating profit	43.4	28.3	16.8
Profit before tax	41.7	27.2	16.1
Profit after tax	39.5	26.0	14.0
Number of employees	534	577	604

As at 31 October 2013, the European Munitions Business had gross assets of £205.4 million and net assets of £98.5 million.

4. INFORMATION ON NEXTER

Nexter applies its expertise in land defence systems to meet the needs of the French army and other forces internationally. The scope of its business includes the supply of weapons systems and munitions for Army, Air Force, Navy and law enforcement applications. In 2013 Nexter reported revenue of €787.3 million, of which 18 per cent. were allocated to research and development. The range of products offered by Nexter includes: Artillery systems CAESAR®, TRAJAN and 105LG1, Leclerc main battle tank, VBCI Infantry combat vehicle, ARAVIS® highly protected armoured vehicle, TITUS®, Nexter new armoured 6x6 and BONUS smart ammunition, all backed up by customer service, support and recycling.

5. SUMMARY OF TERMS OF THE EUROPEAN MUNITIONS BUSINESS DISPOSAL

Chemring has agreed to sell each of Mecar and Simmel to Nexter for an aggregate cash consideration of up to €167.8 million (£138.0 million), of which €119.2 million relates to Mecar and up to €48.6 million relates to Simmel. The aggregate cash consideration will consist of €148.3 million payable for the two businesses on Completion, €8.5 million of net intra-group debt repayable to Chemring upon Completion and a daily cash amount of €14,000 per day between 31 October 2013 and Completion, amounting to approximately €3.0 million based upon estimated Mecar Completion on 19 May 2014 and estimated Simmel Completion on 31 May 2014, in each case, subject to minor adjustments for amounts paid to the Chemring Group since 31 October 2013 for management services and the use of a trademark licence. Included in the consideration due for Simmel is an earn out payment of up to €8.0 million which becomes payable under the Simmel Sale Agreement subject to the terms of a customer contract which is expected to be awarded to Simmel.

Completion of each of the Mecar Disposal and the Simmel Disposal is subject to the satisfaction of certain conditions precedent, including approval of the Resolution by Shareholders and regulatory approval in Italy, as set out in paragraphs 1.2 and 2.2 of Part V (*Summary of the Principal Terms and Conditions of the Mecar Disposal and Simmel Disposal*).

6. USE OF PROCEEDS AND FINANCIAL EFFECTS OF THE EUROPEAN MUNITIONS BUSINESS DISPOSAL

Chemring currently has committed debt finance arrangements through the Notes and the Facilities Agreement (together the “Debt Facilities”), both of which contain financial covenants with which it is required to comply.

The estimated net cash proceeds arising from the Disposal are expected to be £131.4 million. It is Chemring’s intention to offer £99.1 million of the net cash proceeds from the Disposal to the Noteholders in accordance with the revision to the Note Purchase Agreements described in this paragraph 6, and for the balance of the net cash proceeds from the Disposal of £32.3 million to be applied to repay part of the Facilities.

Following Completion, Chemring's pro-forma net debt will be significantly reduced by £120.4 million from £248.7 million as at 31 October 2013 to £128.3 million.

Had the Disposal occurred, the projected headroom on certain of the financial covenants previously contained within the Debt Facilities would have reduced. To address this situation, Chemring has agreed a revised set of covenants which increases the headroom available to the Chemring Group, and allows for a more flexible use of Disposal proceeds.

The following revisions have been agreed with the providers of the Facilities:

- Chemring now has the ability to offer a proportion of the Disposal proceeds to the Noteholders to repay outstanding Notes at par immediately following receipt of Disposal proceeds. To the extent that Noteholders reject this application of proceeds in repayment, the Company is entitled to offset the rejected proceeds against gross debt to derive a reduced debt value used in calculating covenant compliance under the Notes. Following receipt of the Disposal proceeds, the loan note leverage will be calculated based on the ratio of earnings before interest, tax, depreciation and amortisation ("EBITDA") to this reduced debt value, such ratio not to exceed 3.00x;
- in addition, a covenant based upon total debt has been retained but at a permanently increased level of 3.75x EBITDA assuming the Disposal completes. In the event that the proposed Disposal does not complete, Chemring has agreed an increase in the gross debt covenant to 3.50x EBITDA for the four quarters up to and including 31 January 2015; and
- at 30 April 2014, the leverage covenant on the Facilities Agreement is at its tightest level in the 12-month period following the date of this document. As a matter of prudence additional headroom has been obtained at that date, and a net debt covenant of 3.25x will apply. The Directors continue to believe this April 2014 Facilities leverage covenant will be met.

The Facilities Agreement is due to expire on 30 April 2015 and, as part of its ordinary course negotiations, the Company has commenced discussions with debt providers in relation to the refinancing of the Facilities Agreement. The Directors expect to enter into a revised Facilities Agreement on acceptable commercial terms in the coming months. If the Disposal does not complete, the Directors still expect to enter into a revised Facilities Agreement, but on less favourable terms including, for example a higher ongoing interest charge than if the Disposal had completed.

Nothing in the above statements is intended to qualify the working capital statement set out in paragraph 12 of Part VI of this document.

The impact of the European Munitions Business Disposal on the Chemring Group's net assets is set out in Part IV (*Unaudited Pro Forma Statement of Net Assets of the Retained Group*) of this document. It is expected that the European Munitions Business Disposal will have a dilutive effect on the underlying earnings per Chemring Share in the current financial year ending 31 October 2014. This statement is not intended to be, and should not be construed as, a profit forecast and should not be interpreted to mean that underlying earnings per Chemring Share for the current or future financial years will necessarily match, or be greater or less than, the historical underlying earnings per Chemring Share.

At 31 October 2013 Chemring held assets (goodwill and intangible assets) in respect of the European Munitions Business valued at £86.2 million. As a result of the European Munitions Business Disposal, based on the assets at 31 October 2013, a loss on disposal of approximately £61.4 million is expected to be incurred.

The figures which comprise net debt referred to in this paragraph 6 have been extracted from the unaudited pro forma statement of net assets for the Retained Group set out in Part IV (*Unaudited Pro Forma Statement of Net Assets of the Retained Group*) of this document.

7. OVERVIEW AND STRATEGY FOR THE RETAINED GROUP

Following Completion, Chemring will be a focused defence technology business with well-established positions in Sensors & Electronics, Countermeasures and Energetic Systems. Chemring's strategy will be focused on directing investment into those lines of business which have technologies, products and market positioning that provide opportunities to achieve sustainable high margins and revenue growth.

In the Chemring Group's annual results for the year ended 31 October 2013, the Chemring Group outlined a clear strategic plan, the elements of which include:

- maintaining technology leadership through targeted research and development investment and leveraging existing intellectual property;
- focusing on new product and market development;
- continuing with its operational “self-help” recovery programme and looking to deliver structural efficiencies; and
- commercialising know-how and focusing business development activity to provide a balanced portfolio.

Sensors & Electronics

Overview

Chemring's Sensors & Electronics segment, which comprises approximately 44.0 per cent. of Retained Group revenue (based on the year ended 31 October 2013), is one of the world's leading developers and manufacturers of products to detect and neutralise improvised explosive devices (“IEDs”). Over 250 Chemring-produced Husky Mounted Detection Systems (“HMDS”) have been supplied to a number of NATO users including the US, Canada, Australia and Spain; Chemring's chemical and biological detection systems are in-service with the US Army and Navy; and Chemring Technology Solutions supplies UK agencies, including the Ministry of Defence, with technologies and products to detect and defeat a range of threats, including cyber-attacks, electronic warfare and IEDs.

The segment comprises two businesses: Chemring Sensors & Electronic Systems (based in the US) and Chemring Technology Solutions (based in the UK). Both businesses have attractive market shares in their respective niches, industry leading brands and long-term customer relationships. They delivered margins that were above the average for the Chemring Group for both the years ended 31 October 2012 and 2013. Taken as a whole, in the year ended 31 October 2013, Sensors & Electronics generated revenue of £211.3 million and operating profit of £44.7 million. The Board believes that the Sensors & Electronics businesses will continue to offer the potential for attractive margins, good long-term growth prospects and excellent cash conversion.

Strategic and Investment Priorities

The Board believes that Sensors & Electronics represents the greatest opportunity for the Chemring Group to diversify into adjacent and new markets, and Chemring will strategically invest to extend its portfolio of technologies to meet four key objectives:

- ensuring critical wins in the US market – the US defence market is the world's largest, and Chemring will invest to secure its leading position and win key programmes;
- building a world-leading technology base across our trans-Atlantic footprint – Chemring's technical centres in the US and UK are well recognised nationally, but do not fully exploit the scale and synergies of the Chemring Group's international footprint. Chemring intends to build upon its customer relationships to anticipate user needs and growing the Chemring Group's technology base through targeted investment;
- leveraging capability and reputation to build a cyber-protection business; and
- incubating technologies for non-defence markets.

Countermeasures

Overview

The Countermeasures segment, which comprises approximately 26.0 per cent. of Retained Group revenue (based on the year ended 31 October 2013), is the world's leading manufacturer of expendable decoys to protect aircraft and ships from the threat of guided missile attacks. The segment comprises three businesses: Chemring Countermeasures UK (a manufacturer of conventional and advanced flares and chaff for aircraft, as well as the Centurion launcher and a range of naval decoys for ship protection), Chemring Countermeasures USA (which produces special material and flare decoys to protect the US Army, Navy and Air Force fleets of aircraft and helicopters from infra-red-guided missiles) and Chemring Australia (the only national factory to produce flare countermeasures for the Australian Defence Forces, as well as

supplying a range of other products drawing on the Chemring Group's expertise in IED defeat, electronic warfare and pyrotechnics).

In the year ended 31 October 2013, Countermeasures generated revenue of £125.0 million and operating profit of £13.2 million.

Strategic and Investment Priorities

Chemring is a leader in expendable decoys having customer relationships and factories in the US, UK and Australia, combined with advanced technologies in flares, special materials and radio frequency decoys. In the face of reducing short-term demand, the Chemring Group is optimising efficiencies across its sites, starting with the creation of Chemring Countermeasures USA by the integration of Alloy Surfaces and Kilgore. The strategic priorities for the Countermeasures segment are to:

- maintain technological lead in home markets – Chemring's "home" customers in the US, UK and Australia are amongst the most advanced in the world, and Chemring will promote targeted customer-funded development projects to maintain national capabilities to support future military operations; and
- optimise Chemring's supply-base and routes to market – current Chemring Group capacity is scaled to meet surge levels of demand in each of its home markets. Chemring intends to optimise this capacity and its utilisation to ensure that it has a safe, flexible and efficient manufacturing base to meet both national and international demands.

Energetic Systems

Overview

The Energetic Systems segment comprises 30.0 per cent. of Retained Group revenue (based on the year ended 31 October 2013). This segment, which comprises what was formerly classified as Energetic Sub-Systems and the remaining businesses from the former Pyrotechnics & Munitions segment, manufactures energetic devices for missiles, aircrew egress, space launch and satellite deployment and military pyrotechnic products for battlefield screening, signalling and illumination and training. This segment comprises six businesses: Hi-Shear (a US-based manufacturer of energetic solutions for space and missile applications); Chemring Energetic Devices (a US-based manufacturer of thrusters, actuators, cartridges and cutters); Chemring Energetics UK (a supplier of rocket motors and cartridges for ejection seats, and products and devices for missiles); Chemring Nobel (a Norwegian company specialising in the synthesis of explosive materials); Chemring Ordnance (a US-based manufacturer of pyrotechnic products and APOBS – a rocket launched mine-field clearance system); and Chemring Defence UK (which supplies a range of pyrotechnic products, including signalling and smoke grenades).

In the year ended 31 October 2013, Energetic Systems generated revenue of £143.6 million and operating profit of £9.2 million.

Strategic and Investment Priorities

The Energetic Systems business offers a wide variety of specialised components produced infrequently in batch production runs. The market for energetic components is stable, and the segment has the potential to generate high margins. Recent operational challenges have impacted Chemring's performance in this segment and the key priority is to address these challenges in order to maintain quality and manufacturing through-put in order to sustain margins. The global market for pyrotechnics products has been heavily impacted by the decline in NATO operations in Afghanistan, leaving many stockpiles full and a target for short-term cuts.

8. CURRENT TRADING AND PROSPECTS

On 27 February 2014, Chemring released to an RIS its Interim Management Statement for the period 1 November 2013 to 27 February 2014. The following has been extracted without material adjustment from that announcement:

“Current trading

As anticipated, the challenging market conditions the Group continues to experience across its operations, combined with the effect of adverse foreign exchange movements, has resulted in revenue during the three month period to 31 January 2014 falling to £118.3 million compared with £136.1 million in the same period last year.

The Group's order intake increased by 2.1 per cent. against the comparative period, helped by an increasing penetration of non-NATO markets. The order book at 31 January 2014 was £644.5 million, unchanged in the first quarter, after adjusting for the effects of foreign exchange and disposals. Of the order book at 31 January 2014, 55.6 per cent. is due for delivery in the current financial year.

Countermeasures

The Countermeasures businesses continued to stabilise, with revenue in the three month period to 31 January 2014 being 1.8 per cent. below last year, indicating that customer demand is reaching minimum sustaining volumes. Order intake remained slow, with a number of customers deferring the placement of orders.

Regrettably, on 22 February 2014, an incident at the Kilgore facility in Tennessee resulted in one of our employees being fatally injured. The incident caused damage to parts of Kilgore's manufacturing operations and production is currently suspended. An investigation into the cause of the incident has been launched. A gradual re-start of manufacturing operations is expected during the first week of March 2014.

Sensors & Electronics

Against a strong comparative period, revenue from Sensors & Electronics was 10.7 per cent. lower than the same period last year, reflecting the scheduling of demand for the Husky Mounted Detection System (“HMDS”) from the US Department of Defense (“DoD”). Order intake included demand for HMDS spares from the Canadian Army and orders from the US DoD for biological detection systems. A final order under the HMDS Indefinite Delivery Indefinite Quantity (“IDIQ”) contract is expected to be received in the second half of the current financial year.

Pyrotechnics & Munitions

Revenue in Pyrotechnics & Munitions was 16.5 per cent. lower than the same period last year, reflecting the timing of deliveries to Middle East customers. There was however a marked improvement in revenue and operational performance at Chemring Ordnance. Order intake at the Munitions businesses improved, primarily due to the receipt of significant orders from Middle East customers.

Energetic Sub-Systems

Revenue in Energetic Sub-Systems was 25.9 per cent. below the same period last year, partly due to the phasing of activity which will be more heavily weighted toward the second half of the current financial year. The Group continues to focus on resolving production issues and integrating manufacturing sites. Order intake, whilst marginally lower than the comparable period, showed an improving performance from the European businesses.

Current financial position

The Group's net debt at 31 January 2014 was £253.8 million, an improvement of £32.1 million on the position at 31 January 2013. A modest rise in working capital since the financial year end is the result of expected seasonal fluctuations. Proceeds of £6.1 million (\$10.0 million) from the sale of the Clear Lake facility were received on 24 January 2014.

Outlook

The process of reshaping and strengthening the Group's portfolio of businesses through the disposal of non-core activities is ongoing; however, market conditions are expected to remain challenging. Chemring continues to pursue opportunities for growth, together with a focus on improvements in operational performance and restructuring businesses.

The Board's expectations for the current financial year remain unchanged from those outlined in the 23 January 2014 results announcement, subject to fluctuations in exchange rates.”

Since the publication of Chemring's Interim Management Statement, there has been no material change to the current trading and prospects of the Group, save for the future impact of the Disposal.

On 10 April 2014, the Chemring Group entered into an agreement for the disposal of Chemring Defence Germany, which forms part of the Energetic Systems segment, for gross consideration of €2.75 million. After transaction costs and certain other adjustments, net proceeds are de minimis. This disposal is expected to complete in May 2014, following the satisfaction of certain regulatory approvals.

9. RISK FACTORS

For a discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of the Resolution, please refer to Part II (*Risk Factors*) of this document.

10. GENERAL MEETING

A General Meeting is being convened at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, EC4Y 1HS at 9.00 a.m. on 12 May 2014 for the purpose of seeking Shareholder approval for the Resolution.

The Resolution will be proposed as an ordinary resolution requiring a majority of votes in favour. It proposes that the Disposal be approved and that the Directors be authorised to implement the Disposal. The Disposal will not become effective unless the Resolution is passed.

11. ACTION TO BE TAKEN

Please vote on the Resolution by post, through CREST or electronically, or by attending the General Meeting in person or by proxy.

You will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting in person, you are asked to complete the Form of Proxy in accordance with the instructions printed on it and return it to the Company's Registrars, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, so as to arrive as soon as possible, but in any event so as to be received by no later than 9.00 a.m. on 10 May 2014, being 48 hours before the time appointed for the holding of the General Meeting.

CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the Notice of General Meeting set out in Part VIII (*Notice of General Meeting*) at the end of this document.

Completion and return of the Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting at the General Meeting in person if you so wish.

12. FURTHER INFORMATION

The expected timetable of principal events for the Disposal is set out on page 4 of this document. Further information regarding the terms of the Disposal is set out in Part V (*Summary of the Principal Terms and Conditions of the Mecar Disposal and Simmel Disposal*) of this document. **Shareholders are advised to read the whole of this document and not merely rely on the summarised information set out in this letter.**

13. RECOMMENDATION TO SHAREHOLDERS

The Board has received financial advice from each of Investec and Moelis & Company in relation to the Disposal. In providing their financial advice to the Board, each of Investec and Moelis & Company has relied upon the Board's commercial assessment of the Disposal.

The Board considers the Disposal to be in the best interests of Shareholders taken as a whole. Accordingly, the Board unanimously recommends you to vote in favour of the Resolution to be proposed at the General Meeting.

The Directors have each irrevocably undertaken to vote in favour of the Resolution at the General Meeting in respect of their own Chemring Shares to which they are beneficially entitled (representing approximately 0.2 per cent. of the total issued share capital of Chemring as at 23 April 2014 (being the last practicable date prior to publication of this document)).

Yours faithfully,
for and on behalf of Chemring

A handwritten signature in black ink, appearing to read "Peter Hickson". The signature is written in a cursive style. Below the signature is a long, thin, slightly curved horizontal line.

Peter Hickson
Chairman

PART II

RISK FACTORS

This Part II (*Risk Factors*) addresses the risks known to Chemring and the Directors as at the date of this document and which the Directors consider to be material risk factors relating to the Disposal as well as material risks to the Chemring Group which will result from, or be affected by, the Disposal. Additional risks and uncertainties currently unknown to Chemring and the Directors, or which Chemring and the Directors currently deem immaterial, may also have an adverse effect on the Chemring Group's operating results, financial condition and prospects if they materialise. If certain risks materialise, the market price of the Chemring Shares could decline and Shareholders may lose some or all of their investment.

The following risks set out the necessary disclosure under the Listing Rules and do not seek to cover all of the material risks which generally affect the Chemring Group and could have an adverse effect on the Chemring Group's operating results, financial conditions and prospects if they materialise. Further information on the material risks which generally affect the Chemring Group is available at pages 36 to 40 of the Company's 2013 Annual Report.

Prior to voting on the Resolution at the General Meeting, Shareholders should carefully consider, together with all other information contained in this document, the specific risks and uncertainties described below.

1. Risks related to the Disposal

The following risks and uncertainties relate to the Disposal:

Warranties and indemnities in each of the Sale Agreements

Each of the Sale Agreements contains customary warranties and indemnities given by the respective shareholders of Mekar and Simmel (each being wholly-owned subsidiaries of the Company and, in the case of Mekar, the Company itself) in favour of the Purchaser, details of which are set out in Part V (*Summary of the Principal Terms and Conditions of the Mekar Disposal and Simmel Disposal*) of this document. Any liability to make a payment arising from a successful claim by the Purchaser under the warranties or indemnities could have a material adverse effect on the Chemring Group's financial condition.

Conditions and termination rights

Completion of each of the Sale Agreements is conditional upon the satisfaction of certain conditions, further details of which are set out in Part V (*Summary of the Principal Terms and Conditions of the Mekar Disposal and Simmel Disposal*) of this document. The Sale Agreements also contain a limited number of provisions which would allow the Purchaser to terminate the relevant agreement if events amounting to a "material adverse change" in respect of Mekar or Simmel (as appropriate) were to occur. There can be no assurance that all conditions will be satisfied and no relevant events will occur which would allow the Purchaser to terminate either Sale Agreement and, accordingly, that completion under either of the Sale Agreements will take place. If either the Mekar or Simmel Disposal does not complete, any of the risks and uncertainties set out in Section 2 of this Part II (*Risk Factors*) may adversely affect the Chemring Group's business and results.

The Chemring Group's operations will be less diversified

The Chemring Group currently operates in four business segments: Sensors & Electronics, Countermeasures, Energetic Sub-Systems and Munitions & Pyrotechnics. The trading and financial performance of the Chemring Group in each segment is impacted by different and unrelated factors. Following Completion, the Chemring Group's business will be less diversified, which may result in a greater risk of earnings and share price volatility.

In addition, following the Disposal, the Retained Group will no longer have the capability to manufacture a wide range of naval and land ammunition. Should demand for these products grow, the Retained Group may not be in a position to take advantage of that growth. In addition, if the Retained Group wishes to expand its munitions business in the future, it will require significant investment and there is no guarantee that any expanded business will be able to operate as effectively as the European Munitions Business.

2. Risks related to the Disposal not proceeding

If either of the Mecar Disposal or the Simmel Disposal does not proceed, the following risks and uncertainties may affect the Chemring Group's business and results:

Loss of shareholder value

The Board believes that the Disposal is in the best interest of Shareholders taken as a whole and that the Disposal currently provides the best opportunity to realise an attractive and certain value for Mecar and Simmel. If either of the Mecar Disposal or the Simmel Disposal does not complete, the value to the Company of Mecar or Simmel, as applicable, may be lower than can be realised by way of the relevant Disposal.

Potentially disruptive effect on the Chemring Group

If either of the Mecar Disposal or the Simmel Disposal does not proceed, Mecar and Simmel's management and employees may be affected, and key management or employees may choose to leave Mecar or Simmel. This may have a negative effect on the performance of Mecar or Simmel under the Company's ownership. To maintain shareholder value, the Company's management may be required to allocate additional time and cost to the ongoing supervision and development of Mecar and Simmel.

PART III

FINANCIAL INFORMATION ON THE EUROPEAN MUNITIONS BUSINESS

The following historical financial information relating to the European Munitions Business has been extracted without material adjustment from the consolidation schedules used in preparing the Chemring Group's audited consolidated financial statements for the financial years ended 31 October 2011, 31 October 2012 and 31 October 2013.

The financial information in this Part III (*Financial Information on the European Munitions Business*) does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 or Section 434 of the Companies Act 2006 (as the case may be). The consolidated statutory accounts for the Company in respect of the financial years ended 31 October 2011, 31 October 2012 and 31 October 2013 have been delivered to the Registrar of Companies. The auditor's reports in respect of the statutory accounts for each of these three financial years were unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985 or Section 498(2) or (3) of the Companies Act 2006.

The financial information in this Part III (*Financial Information on the European Munitions Business*) for the financial years ended 31 October 2011, 31 October 2012 and 31 October 2013 has been prepared using the IFRS accounting principles used to prepare the consolidated financial statements of the Chemring Group for the financial year ended 31 October 2013, and the underlying basis of preparing financial information in respect of the income statement reflected therein.

Shareholders should read the whole of this document and not rely solely on the summarised financial information in this Part III (*Financial Information on the European Munitions Business*).

Financial Information

1. Income statement (on an IFRS basis) for the three years ended 31 October 2013

	Year ended 31 October 2011 £ million	Year ended 31 October 2012 £ million	Year ended 31 October 2013 £ million
Turnover	195.2	206.7	152.0
Cost of sales	(139.2)	(160.6)	(113.1)
Gross profit	56.0	46.1	38.9
Administrative overheads	(9.9)	(17.5)	(15.5)
Other operating expenses	(2.7)	(0.3)	(6.6)
Operating profit	43.4	28.3	16.8
Finance costs	(1.7)	(1.1)	(0.7)
Profit on ordinary activities before taxation	41.7	27.2	16.1
Taxation	(2.2)	(1.2)	(2.1)
Profit on ordinary activities after taxation	39.5	26.0	14.0

Notes

The income statement presented above is unaudited.

2. Net asset statement (on an IFRS basis) as at 31 October 2013

	<i>As at 31 October 2013 £ million</i>
Non-current assets	
Tangible fixed assets	28.2
Intangible assets	13.9
	<hr/> 42.1
Current assets	
Cash	3.6
Inventories	37.0
Trade and contract debtors	95.4
Other current assets	27.3
	<hr/> 163.3
Current liabilities	
Trade creditors	(31.3)
Advance payments	(11.6)
Accruals and deferred income	(0.3)
Other current liabilities	(43.0)
	<hr/> (86.2)
Non-current liabilities	
Long term loans	(19.8)
Provisions	(5.8)
Deferred tax	4.9
	<hr/> (20.7)
Net assets	<hr/> <hr/> 98.5

Notes

The net assets of the European Munitions Business above exclude goodwill and other non-current assets capitalised on acquisition of £86.3 million held centrally on the consolidation of the Chemring Group. The goodwill arose on the acquisitions of Mecar and Simmel.

PART IV

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE RETAINED GROUP

1. UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE RETAINED GROUP

The following unaudited pro forma statement of net assets (the “*Pro Forma Financial Information*”) has been prepared to show the effect on the consolidated net assets of the Chemring Group as if the Disposal had occurred on 31 October 2013.

The unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and in accordance with Annex II of the Prospectus Directive Regulation, and should be read in conjunction with the notes set out below. Due to its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Retained Group’s actual financial position or results.

The statement of pro forma net assets set out below is based on the audited consolidated balance sheet of the Chemring Group as at 31 October 2013, adjusted to reflect the net assets of the European Munitions Business as at 31 October 2013, presented in accordance with the Company’s accounting policies and other adjustments as described in the notes below.

Shareholders should read the whole of this document and not rely solely on the summarised financial information in this Part IV (*Unaudited Pro Forma Statement of Net Assets of the Retained Group*).

	Adjustments				
	Net assets of businesses being disposed of		Centrally held consolidation adjustments		Pro forma
	As at 31 October 2013	as at 31 October 2013	as at 31 October 2013	Business disposal adjustments	as at 31 October 2013
	£ million	£ million	£ million	£ million	£ million
	Note 1	Note 2	Note 3	Note 4	Note 5
Non-current assets					
Intangible assets	336.5	(13.9)	(76.9)	–	245.7
Tangible assets	222.3	(28.2)	(9.4)	–	184.7
Investments	1.5	–	–	–	1.5
Deferred tax asset	21.7	–	–	–	21.7
Total non-current assets	582.0	(42.1)	(86.3)	–	453.6
Current assets					
Inventories	113.7	(37.0)	–	–	76.7
Trade and contract receivables	181.0	(95.4)	–	–	85.6
Prepayments and accrued income	15.8	(11.2)	–	–	4.6
Other receivables	15.3	(16.1)	13.3	–	12.5
Cash and cash equivalents	14.2	(3.6)	–	123.9	134.5
Total current assets	340.0	(163.3)	13.3	123.9	313.9
Total assets	922.0	(205.4)	(73.0)	123.9	767.5
Current liabilities					
Trade creditors	(65.1)	31.3	–	–	(33.8)
Accruals and deferred income	(48.9)	0.3	–	–	(48.6)
Advance payments	(17.4)	11.6	–	–	(5.8)
Other creditors	(51.5)	42.5	(2.3)	–	(11.3)
Corporation tax	(15.4)	0.5	6.0	–	(8.9)
Total current liabilities	(198.3)	86.2	3.7	–	(108.4)
Non-current liabilities					
Long term loans	(262.9)	19.8	(19.7)	–	(262.8)
Provisions	(38.2)	5.8	–	–	(32.4)
Deferred tax	(38.8)	(4.9)	(0.5)	–	(44.2)
Total non-current liabilities	(339.9)	20.7	(20.2)	–	(339.4)
Total liabilities	(538.2)	106.9	(16.5)	–	(447.8)
Net assets	383.8	(98.5)	(89.5)	123.9	319.7

Notes

1. The figures for the Chemring Group have been extracted without material adjustment from the audited financial information of the Chemring Group as at 31 October 2013.
2. These adjustments remove the assets of the European Munitions Business without adjustment from Part III (*Financial Information on the European Munitions Business*) set out in this document.
3. The adjustments to intangible and tangibles assets writes off goodwill and acquired intangible assets of £76.9 million, and a fair value revaluation of property held centrally in respect of the European Munitions Business of £9.4 million. These amounts arose on the acquisition of each of Mecar and Simmel by the Chemring Group and are held on consolidation, and therefore are not directly held by, or to be sold with, the European Munitions Business. The adjustments to other receivables, other creditors and long term loans are required to remove the intercompany balances held between Chemring Group and the European Munitions Business. The adjustments to corporate and deferred tax relate to balances held by Chemring Group for consolidation purposes on behalf of the European Munitions Business. All the adjustments were extracted without material adjustment from the historical financial information of the Chemring Group as at 31 October 2013.
4. Disposal adjustments comprise the receipt of cash proceeds of £124.4 million plus repayment of intercompany debt of £7.0 million less transaction related costs of £7.5 million. This does not reflect the £13.0 million pre-completion dividend payable from Mecar to Chemring Group.
It is Chemring's intention to offer £99.1 million of the net cash proceeds from the European Munitions Business Disposal to the Noteholders, and for the balance of the net cash proceeds from the Disposal of £32.3 million to be retained as cash.
5. Net debt is calculated as long term loans less cash and cash equivalents. As at 31 October 2013 net debt was £248.7 million. Following the European Munitions Business Disposal, pro forma net debt as at 31 October 2013 was £128.3 million.
6. No account has been taken of the trading results of the Chemring Group for the period since 31 October 2013.

2. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE RETAINED GROUP

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Whiteley
Fareham
Hampshire
PO15 7AF

Investec Bank plc
2 Gresham Street
London
EC2V 7QP

24 April 2014

Dear Sirs,

We report on the Pro Forma Financial Information (the "*Pro Forma Financial Information*") set out in Part IV (*Unaudited Pro Forma Statement of Net Assets of the Retained Group*) of this document dated 24 April 2014, which has been prepared on the basis described, for illustrative purposes only, to provide information about how the European Munitions Business Disposal might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 October 2013. This report is required by Annex I item 20.2 of Commission Regulation (EC) No 809/2004 (the "*Prospectus Directive Regulation*") as applied by Listing Rule 13.3.3R and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "*Directors*") to prepare the Pro Forma Financial Information in accordance with Annex I item 20.2 and Annex II items 1 to 6 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion, in accordance with Annex I item 20.2 of the Prospectus Directive Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Shareholders as a result of the inclusion of this report in this document, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in this document.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

A handwritten signature in black ink that reads "Deloitte LLP." followed by a horizontal flourish line.

Deloitte LLP
Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London, EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

PART V

SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE MECAR DISPOSAL AND SIMMEL DISPOSAL

1. SUMMARY OF THE PRINCIPAL TERMS OF THE MECAR SALE AGREEMENT

1.1 Mecar Disposal

The Mekar Sale Agreement was entered into on 24 April 2014 between the Mekar Sellers and the Purchaser to give effect to the Mekar Disposal. Pursuant to the Mekar Sale Agreement, the Mekar Sellers have agreed to sell, subject to the conditions described in paragraph 1.2 of this Part V (*Summary of the Principal Terms and Conditions of the Mekar Disposal and Simmel Disposal*), the entire issued share capital of Mekar.

1.2 Conditions precedent

The Mekar Completion is conditional upon:

- (a) approval of the Mekar Disposal by Shareholders; and
- (b) no “material adverse change” having occurred before and continuing on the date of Mekar Completion.

For these purposes, a “material adverse change” is an event, fact or circumstance that either:

- (i) prevents or would prevent Mekar from carrying on all of its business for a period of more than two consecutive months; or
- (ii) prevents or would prevent Mekar from carrying on any substantial part of its business for a period of more than six months over the 12-month period following the date of the relevant event, and which is expected to result directly in a reduction in Mekar’s turnover of at least €33.2 million (being 25 per cent. of Mekar’s turnover during the year ended 31 October 2013) during the 12 months following the date of the relevant event,

and excludes changes in economic, financial, market or political conditions generally, changes generally affecting the munitions industry and any act or omission of the Chemring Group at the request of, or with the consent of, the Purchaser.

1.3 Consideration

The price to be paid by the Purchaser for the entire issued share capital of Mekar is €103,443,000. This price will be subject to an additional adjustment amount calculated as a daily amount of €12,500 multiplied by the number of days between the Mekar Locked Box Accounts Date and Mekar Completion, less certain amounts to be paid by Mekar to the Chemring Group for management services and the use of a trademark licence during that period.

1.4 Pre-Completion covenants

The Mekar Sellers have given certain customary covenants in relation to the period between signing of the Mekar Sale Agreement and Mekar Completion, including to ensure that the business of Mekar is carried on in the ordinary course of business and, in all material respects, in accordance with past practice.

1.5 Non-compete covenant

The Mekar Sellers have agreed to non-compete undertakings restricting the Retained Group from carrying on or being engaged in any business that competes with Mekar within the territories where Mekar offered or sold products or services before Mekar Completion. The non-compete period lasts for three years after Mekar Completion.

1.6 Warranties and indemnities

The Mecar Sellers have given warranties relating to, amongst other things, title, capacity, authority and solvency matters, together with additional business warranties as are customary for a transaction of this nature. Certain of the warranties will be repeated on the date of Mecar Completion and the Mecar Sellers will have no ability to make further disclosures.

No claims may be brought by the Purchaser under the Mecar Warranties after the date that is 18 months after Mecar Completion, save in respect of (i) the Mecar Tax Warranties or the Mecar Tax Covenant, where the claim period ends three months after the expiry of the applicable statutory limitation period, and (ii) the warranties in relation to the Mecar Sellers' ownership of the shares in Mecar, where the claim period is 10 years after Mecar Completion.

The Mecar Sellers have granted to the Purchaser an indemnity in respect of (i) reasonable costs incurred by Mecar in order to carry out the *Etude d'Orientation*, an environmental survey required under Belgian law and (ii) any environmental losses incurred as a direct result of any failure by Mecar to comply with environmental laws or any hazardous materials present on any of Mecar's properties, in each case to the extent that the relevant circumstances exist before Mecar Completion. This indemnity is subject to a deductible of €1,100,000 and the claim period is 12 years after Mecar Completion.

1.7 Limitations on liabilities

Other than as set out below, the Mecar Sellers' aggregate liability in respect of all claims under the Mecar Sale Agreement is limited to €26,600,000.

For claims relating to the Mecar Sellers' ownership of the shares in Mecar, claims in relation to any breach of the pre-Completion covenants described at paragraph 1.4 of this Part V, claims in relation to any breach of the non-compete undertaking described at paragraph 1.5 of this Part V and claims in relation to any breach of confidentiality, the Mecar Sellers' aggregate liability is limited to the consideration to be paid under the Mecar Sale Agreement as set out in paragraph 1.3 of this Part V. For claims under the tax losses warranty, the Mecar Sellers' aggregate liability is limited to €14 million and for claims under the environmental indemnity it is limited to €10 million. The Mecar Sellers' aggregate liability for claims in relation to any unauthorised payment made by Mecar to any member of the Chemring Group between 31 October 2013 and Mecar Completion is unlimited.

1.8 Termination

Neither the Mecar Sellers nor the Purchaser shall be entitled to terminate the Mecar Sale Agreement, save in respect of a written notice requesting such termination from the Purchaser to the Mecar Sellers if the Resolution is not passed by the Mecar Long Stop Date.

1.9 Tax covenant

The Mecar Sellers have given an indemnity against (broadly) any tax liabilities arising in Mecar that are attributable to the period up to and including Mecar Completion, subject to exclusions customary for a transaction of this nature. The Mecar Tax Schedule also includes other customary provisions relating to, amongst other things, notification of claims and conduct of disputes, secondary liabilities, conduct of tax affairs and withholdings, gross up and VAT.

1.10 Governing law and jurisdiction

The Mecar Sale Agreement is governed by English law. Any dispute arising under the Mecar Sale Agreement is to be finally settled in accordance with the rules of arbitration of the International Chamber of Commerce. The seat of the arbitration will be in Paris, but the language to be used will be English.

2. SUMMARY OF THE PRINCIPAL TERMS OF THE SIMMEL SALE AGREEMENT

2.1 Simmel Disposal

The Simmel Sale Agreement was entered into on 24 April 2014 between the Company, the Simmel Seller and the Purchaser to give effect to the Simmel Disposal. Pursuant to the Simmel Sale Agreement, the Simmel

Seller has agreed to sell, subject to the conditions described in paragraph 2.2 of this Part V (*Summary of the Principal Terms and Conditions of the Mekar Disposal and Simmel Disposal*), the entire issued share capital of Simmel and the Company has agreed to guarantee the obligations of the Simmel Seller under the Simmel Sale Agreement.

2.2 Conditions precedent

The Simmel Completion is conditional upon:

- (a) approval of the Simmel Disposal by Shareholders;
- (b) the Purchaser having obtained clearance from the Italian government under the Italian national interest law;
- (c) no “material adverse change” having occurred before and continuing on the date of Simmel Completion; and
- (d) Mekar Completion having occurred.

For these purposes, a “material adverse change” is an event, fact or circumstance that either:

- (i) prevents or would prevent Simmel from carrying on all of its business for a period of more than two consecutive months; or
- (ii) prevents or would prevent Simmel from carrying on any substantial part of its business for a period of more than six months over the 12-month period following the date of the relevant event, and which is expected to result directly in a reduction in Simmel’s turnover of at least €14.4 million (being 25 per cent. of Simmel’s turnover during the year ended 31 October 2013) during the 12 months following the date of the relevant event,

and excludes changes in economic, financial, market or political conditions generally, changes generally affecting the munitions industry and any act or omission of the Chemring Group at the request of, or with the consent of, the Purchaser.

2.3 Consideration

The price to be paid by the Purchaser for the entire issued share capital of Simmel is €44,894,000. This price will be subject to an additional adjustment amount calculated as a daily amount of €1,500 multiplied by the number of days between the Simmel Locked Box Accounts Date and Simmel Completion, less certain amounts to be paid by Simmel to the Chemring Group for management services and the use of a trademark licence during that period.

In addition, an earn-out payment of up to €8 million will be payable if Simmel and the Indian Ministry of Defence (or any of its representatives or affiliates) enter into a contract or contracts for the supply of 40L70 ammunition after the date of the Simmel Sale Agreement, the total amount of the earn-out payment depending on the volume of 40L70 ammunition ordered by the customer, the unit price of such ammunition and the Euro to US Dollar exchange rate on the execution date of the contract. To the extent that the contract has not been entered into by Simmel Completion, the Purchaser has agreed to use all reasonable endeavours to enter into the contract as soon as reasonably practicable after Simmel Completion and to negotiate its terms diligently and in good faith.

2.4 Pre-Completion covenants

The Simmel Seller has given certain customary covenants in relation to the period between signing of the Simmel Sale Agreement and Simmel Completion, including to ensure that the business of Simmel is carried on in the ordinary course of business and, in all material respects, in accordance with past practice.

2.5 Non-compete covenant

The Simmel Seller has agreed to non-compete undertakings restricting the Retained Group from carrying on or being engaged in any competing business (being a business that competes with Simmel) within the territories where Simmel offered or sold products or services before Simmel Completion. The non-compete period lasts for three years after Simmel Completion.

2.6 Warranties and Indemnities

The Simmel Seller has given warranties relating to, amongst other things, title, capacity, authority and solvency matters, together with additional business warranties as are customary for a transaction of this nature. Certain of the warranties will be repeated on the date of Simmel Completion and the Simmel Seller will have no ability to make further disclosures.

No claims may be brought by the Purchaser under the Simmel Warranties after the date that is 18 months after Simmel Completion, save in respect of (i) the Simmel Tax Warranties or the Simmel Tax Covenant, where the claim period ends three months after the expiry of the applicable statutory limitation period, and (ii) the warranties in relation to the Simmel Seller's ownership of the shares in Simmel, where the claim period is 10 years after Simmel Completion.

The Simmel Seller has granted the Purchaser an indemnity in respect of:

- (i) the existing claim against CSC in respect of the alleged contamination of the Sacco river, which is further described in paragraph 9.3 of Part VI (*Additional Information*) of this document, and any future proceedings or claims arising out of the alleged contamination of the Sacco river; and
- (ii) any environmental losses incurred as a direct result of any failure by Simmel to comply with environmental laws or any hazardous materials present on any of Simmel's properties,

in each case to the extent that the relevant circumstances exist before Simmel Completion.

The claim period for any claims under paragraph (i) above ends six months after a final, non-appealed decision in relation to the existing claim and six months after the end of the applicable statute of limitations in relation to any new claims, but in any event no claim may be brought more than 15 years after the date of the Simmel Sale Agreement in respect of civil proceedings or 25 years after the date of the Simmel Sale Agreement in respect of criminal proceedings. The claim period for claims under paragraph (ii) above ends ten years after the date of the Simmel Sale Agreement.

In addition, the Simmel Seller has granted the Purchaser an indemnity in respect of any losses incurred by Simmel as a direct result of any claim arising out of the occupational disease of M. Pizziconi, a former employee of Simmel.

2.7 Limitations on liabilities

Other than as set out below, the Simmel Seller's aggregate liability in respect of all claims under the Simmel Sale Agreement is limited to €21,200,000.

For claims relating to the Simmel Seller's ownership of the shares in Simmel, claims in relation to any breach of the pre-Completion covenants described at paragraph 2.4 of this Part V, claims in relation to any breach of the non-compete undertaking described at paragraph 2.5 of this Part V and claims in relation to any breach of confidentiality, the Simmel Seller's aggregate liability is limited to the consideration to be paid under the Simmel Sale Agreement (including the actual amount (if any) of the earn-out payment), as set out in paragraph 2.3 of this Part V. For claims under the environmental indemnity, the Simmel Seller's aggregate liability is limited to €10 million for claims that are not connected to the Sacco river and to €55 million in total (including claims in respect of the Sacco river). For claims under the indemnity in relation to the occupational disease of M. Pizziconi, the Simmel Seller's liability is limited to €1.8 million. The Simmel Seller's aggregate liability for claims in relation to any unauthorised payment made by Simmel to any member of the Chemring Group between 31 October 2013 and Simmel Completion is unlimited.

2.8 Termination

Neither the Simmel Seller nor the Purchaser shall be entitled to terminate the Simmel Sale Agreement, save in respect of a written notice requesting such termination from (i) the Purchaser to the Simmel Seller if the Resolution is not passed by 24 June 2014, or (ii) either of the Simmel Seller or the Purchaser if the conditions to Simmel Completion are not fulfilled by the Simmel Long Stop Date.

2.9 Tax covenant

The Simmel Seller has given an indemnity against (broadly) any tax liabilities arising in Simmel that are attributable to the period up to and including Simmel Completion, subject to exclusions customary for a transaction of this nature. The Simmel Tax Schedule also includes other customary provisions relating to, amongst other things, notification of claims and conduct of disputes, secondary liabilities, conduct of tax affairs and withholdings, gross up and VAT.

The Simmel Seller has also granted to the Purchaser two additional specific indemnities against any future tax liabilities in respect of the deductibility of management fees, royalty fees and/or interest, in each case paid or accrued by Simmel to any member of the Chemring Group. The Simmel Seller's liability under these indemnities is limited to €8 million in total.

2.10 Guarantee

The Company has agreed with the Purchaser to guarantee that the Simmel Seller will comply properly and punctually with its obligations under the Simmel Sale Agreement.

2.11 Governing law and jurisdiction

The Simmel Sale Agreement is governed by English law. Any dispute arising under the Simmel Sale Agreement is to be finally settled in accordance with the rules of arbitration of the International Chamber of Commerce. The seat of the arbitration will be in Paris, but the language to be used will be English.

PART VI

ADDITIONAL INFORMATION

1. RESPONSIBILITY

Each of the Company and the Directors, whose names are set out in Section 3 of this Part VI (*Additional Information*), accept responsibility for the information contained in this document. To the best of the knowledge and belief of each of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. COMPANY INFORMATION

The Company was incorporated and registered in England and Wales on 30 November 1905 as a private limited company under the Companies Acts 1862 to 1900, with the name British Foreign & Colonial Automatic Light Controlling Company Limited and with registered number 86662. On 24 July 1958, the Company changed its name to Automatic Light Controlling Company Limited. On 1 October 1974, the Company changed its name to Chemring Limited. On 1 October 1981, it re-registered as a public limited company under the name of Chemring PLC. On 5 February 1986, the Company changed its name to Chemring Group PLC.

The Company's registered office is at Chemring House, 1500 Parkway, Whiteley, Fareham, Hampshire PO15 7AF and its telephone number is +44 (0) 1489 881 880.

The principal laws and legislation under which the Company operates are the Companies Act 2006 and the regulations made thereunder.

3. DIRECTORS

The Directors of the Company and their respective functions are as follows:

Peter Hickson	(Chairman)
Mark Papworth	(Group Chief Executive)
Steve Bowers	(Group Finance Director)
Sarah Ellard	(Group Legal Director & Company Secretary)
Ian Much	(Senior Independent Director)
Nigel Young	(Non-Executive Director)
Vanda Murray	(Non-Executive Director)
Andy Hamment	(Non-Executive Director)

4. DETAILS OF KEY INDIVIDUALS FOR MECAR AND SIMMEL

The key individuals important to Mecar and Simmel and their respective functions are as follows:

4.1 Mecar

Name	Position
Simon Haye	Managing Director
Vincent Grenier	Chief Financial Officer
Jacques Bastogne	Marketing/Sales Director
Christophe Soleil	Engineering & Technology Director
Stephane Dath	HSE & Site Compliance Director
Daniel Baijot	General Manager

4.2 Simmel

Name	Position
Michele Antonucci	Managing Director
Patrizia Pomponi	Chief Financial Officer
Antonio Pompili	General Manager
Dario Coscione	Engineering & Technology Director

5. DIRECTORS' INTERESTS IN THE COMPANY

As at the close of business on 23 April 2014 (being the latest practicable date prior to the publication of this document), the interests of the Directors and any of their connected persons (within the meaning of Sections 252 to 255 of the Companies Act 2006) in Chemring Shares were as follows:

	<i>Number of Ordinary Shares</i>	<i>Percentage of existing issued share capital</i>
Directors		
Peter Hickson	160,000	0.0828
Mark Papworth	100,000	0.0517
Steve Bowers	–	–
Sarah Ellard	48,875	0.0253
Ian Much	26,500	0.0127
Nigel Young	–	–
Vanda Murray	3,000	0.0016
Andy Hamment	50,000	0.0259

In addition to the interests noted above, certain of the Directors have further interests as a result of awards and grants made pursuant to each of the Chemring Group Performance Share Plan (the “**PSP**”) and the Chemring Group 2008 UK Sharesave Plan (the “**UKSP**”). Details of the awards and grants (as at the latest practicable date prior to the publication of this document) are set out below:

<i>Director</i>	<i>Scheme/ grant</i>	<i>Performance period</i>	<i>Normal vesting date/period</i>	<i>As at 31 October 2013</i>	<i>As at 23 April 2014</i>
Mark Papworth	PSP	1 Nov 2012 – 31 Oct 2015	21 Nov 2015	413,412	413,412
	UKSP	–	1 Oct 2018 – 1 Apr 2019	6,276	6,276
Steve Bowers	PSP	1 Nov 2012 – 31 Oct 2015	31 Jan 2016	149,564	149,564
	UKSP	–	1 Oct 2018 – 1 Apr 2019	6,276	6,276
Sarah Ellard	PSP	1 Nov 2010 – 31 Oct 2013	19 Jan 2014	25,520	0
	PSP	1 Nov 2011 – 31 Oct 2014	27 Jan 2015	79,197	79,197
	PSP	1 Nov 2012 – 31 Oct 2015	31 Jan 2016	114,213	114,213
	UKSP	–	1 Oct 2016 – 1 Apr 2017	3,765	3,765

6. DIRECTORS' SERVICE AGREEMENTS AND ARRANGEMENTS

Save as set out in this Section 6, there are no existing or proposed service agreements or letters of appointment between the Directors and any member of the Chemring Group.

Executive Directors: Service contracts

Mark Papworth, Steve Bowers and Sarah Ellard are each engaged under service agreement under which they are entitled to a base salary of £475,000, £300,000 and £216,500 per annum respectively.

Each of the Executive Directors is eligible to participate in the Company's executive bonus plan and various other executive and all-employee share plans. Each of the Executive Directors receives a cash allowance in lieu of pension with a value of 20 per cent. of base salary. Since 1 January 2014, like all UK employees, the

Executive Directors have been subject to auto-enrolment into the Chemring Group's defined contribution stakeholder scheme, with an employer contribution of 4 per cent. If the Executive Directors do not opt out of this scheme, their cash allowance will be reduced by 4 per cent. The Executive Directors are also eligible for a cash allowance in place of a company car or a fully-expensed company car, typical life assurance/permanent health insurance benefits and private medical insurance.

Each Executive Director's service agreement is terminable by either party on 12 months' notice. The Company has the ability to terminate the agreement by the payment of a cash sum in lieu of notice equal to the Executive Director's salary and the fair value of contractual benefits (including pension). The payment can, at the Company's discretion, be paid as a lump sum or in instalments over the notice period. In these circumstances, the relevant Executive Director is required to mitigate their loss.

In accordance with the Articles, each Executive Director must stand for re-election by Shareholders every three years. However, in order to ensure compliance with the UK Corporate Governance Code, in practice they voluntarily submit themselves for re-election annually.

The Company has appropriate directors' and officers' indemnity insurance in respect of the Executive Directors.

Non-Executive Directors: Letters of appointment

Peter Hickson is engaged as Chairman under a letter of appointment pursuant to which he is entitled to receive an annual fee of £187,000. His appointment was renewed in July 2013 for an anticipated three year term but is terminable by either party giving to the other six months' written notice or at any time in accordance with the Articles or the Companies Act 2006.

In accordance with the Articles, each of the Chairman and the Non-Executive Directors must stand for re-election by Shareholders every three years. However, in order to ensure compliance with the UK Corporate Governance Code, in practice they voluntarily submit themselves for re-election annually.

Andy Hamment's appointment commenced on 1 July 2013. Ian Much's appointment commenced on 1 December 2004. Vanda Murray's appointment commenced on 1 November 2011. Nigel Young's appointment commenced on 1 May 2013.

Each Non-Executive Director is engaged under a letter of appointment under which they are entitled to receive an annual fee of £55,000. Their appointments may be terminated without payment or compensation by either the Company or the Non-Executive Director at any time upon three months' written notice. In addition to the annual fee of £55,000, Ian Much is entitled to an additional fee of £8,000 as Chairman of the Remuneration Committee and Nigel Young is entitled to an additional fee of £8,000 as Chairman of the Audit Committee. Mr Much also serves as the Senior Independent Director but he receives no additional fee for this role.

The Chairman and the Non-Executive Directors are entitled to reimbursement of reasonable expenses.

The Non-Executive Directors are not entitled to receive any compensation on termination of their appointment, and are not entitled to participate in the Company's share, bonus or pension schemes.

The Company has appropriate directors' and officers' indemnity insurance in place in respect of the Chairman and the Non-Executive Directors.

7. SIGNIFICANT SHAREHOLDERS

As at the close of business on 23 April 2014 (being the latest practicable date prior to the publication of this document), so far as the Directors are aware, no person other than those listed below was interested, directly or indirectly, in three per cent. or more of the issued share capital of Chemring:

<i>Name</i>	<i>Number of Chemring Shares as at the date the Company had been notified in accordance with the DTRs</i>	<i>Percentage of existing issued share capital as at the date the Company had been notified in accordance with the DTRs</i>
Invesco Ltd	15,662,550	8.103%
Investec Asset Management Ltd	12,348,906	6.389%
Schroders PLC	11,420,391	5.908%
UBS Global Asset Management	10,646,898	5.508%
Jupiter Asset Management Limited	10,432,858	5.397%
Old Mutual Asset Managers	1,670,844	5.127%
JP Morgan Chase & Co.	1,739,346	4.938%
Ameriprise Financial, Inc.	9,459,203	4.878%
AXA SA & its Group of Companies	1,573,933	4.837%
Standard Life	1,611,798	4.567%
Tameside MBC re Greater Manchester Pension Fund	8,206,182	4.245%
Norges Bank	7,553,263	3.908%
BT Pension Scheme as Trustees of the BT Pension Scheme	1,354,021	3.837%
Cantillon Capital Management LLC	7,032,280	3.639%
Hermes Equity Ownership Services Ltd	5,704,493	2.940%

8. MATERIAL CONTRACTS

8.1 The Retained Group

No contracts have been entered into (other than contracts entered into in the ordinary course of business and those referred to in Part V (*Summary of the Principal Terms and Conditions of the Mear Disposal and Simmel Disposal*) of this document) by any member of the Retained Group either: (i) within the period of two years immediately preceding the date of this document, which are or may be material to the Retained Group; or (ii) at any time, which contain any provisions under which any member of the Retained Group (as relevant) has an obligation or entitlement which is or may be material to the Retained Group (as relevant) as at the date of this document, save as set out below:

Facilities agreement

Chemring and certain of its subsidiaries (together the “**Borrowers**”), Barclays Bank PLC, The Royal Bank of Scotland plc, Commerzbank Aktiengesellschaft, Mediobanca International (Luxembourg) S.A. and Commonwealth Bank of Australia (together the “**Lenders**”) entered into an approximately £230 million unsecured multi-currency revolving facility agreement dated 13 January 2011, as amended on 5 April 2012 and 4 June 2013 (as amended, the “**Facilities Agreement**”).

Purpose

The Facilities Agreement provided facilities to enable Chemring to refinance its previous term and revolving credit facilities, and for the general corporate purposes of the Chemring Group (including, but not limited to, the financing of acquisitions permitted by the Facilities Agreement and the issue of bonds and guarantees) (together, the “**Facilities**”).

Interest rate and fees

The interest rate payable on the Facilities for each interest period is LIBOR (or EURIBOR in relation to any loan in Euros or NIBOR in relation to any loan in Norwegian Krone) plus a margin plus mandatory costs (if applicable). The margin for the Facilities is subject to a margin ratchet calculated by reference to the ratio of consolidated net debt to consolidated EBITDA.

Default interest is chargeable as is customary. Interest periods will be one, two, three or six months, unless a different period is otherwise agreed by the Company and the Lenders. Interest will be payable in arrears at the end of each interest period or at the end of each six month period, where the agreed interest period is greater than six months.

A commitment fee is payable quarterly in arrears on all undrawn, uncanceled amounts and is calculated as a fixed percentage of the applicable margin. The Company is also required to pay an agency fee to Barclays Bank PLC for its services as the facility agent.

Repayment

The Borrowers must repay loans drawn under the Facilities at the end of each interest period. All Facilities must be repaid on 30 April 2015.

Standard mandatory prepayment provisions are applicable to the Facilities Agreement (including a mandatory prepayment event on a change of control of Chemring only). Voluntary prepayments may be made upon five business days' notice, in minimum amounts of £1 million for the Sterling denominated Facilities and £0.5 million for the US Dollar denominated Facilities, subject to break costs if the prepayment does not take place on the last day of an interest period.

Guarantee

Certain subsidiaries of Chemring (including Mecar), together with each company which becomes a material subsidiary of Chemring (together the "**Guarantors**") provide a continuing guarantee of punctual performance of each of the Borrowers' obligations under the finance documents. Each Guarantor also undertakes to indemnify the Lenders immediately on demand against any cost, loss or liability it incurs as a result of any Borrower's non-performance under the finance documents. Mecar will be released from any and all guarantees granted by it to Chemring at Mecar Completion.

Chemring will ensure that the aggregate turnover, net assets and EBITDA of the Guarantors contributes 80 per cent. or more of the total turnover, net assets and EBITDA of the Chemring Group on an ongoing basis.

The Facilities are unsecured.

Covenants, warranties and representations

A number of standard representations and warranties have been given in the Facilities Agreement, most of which are repeated on the date of each utilisation request and on the first day of each interest period. Customary materiality tests, carve outs and grace periods also apply.

The Facilities Agreement requires the Borrowers and the Guarantors to comply, and to ensure the compliance of the Chemring Group, with a number of customary undertakings (including financial covenants).

Events of default

The events of default are usual for facilities and transactions of this type.

Upon the occurrence of an event of default which is not remedied or waived, the Lenders will not be obliged to fund further utilisations, the Lender may cancel the available facilities and may declare all outstanding payments (and full cash cover for each bond) to be immediately due and payable.

Amendment

As set out in paragraph 6 of Part I (*Letter from the Chairman of Chemring*), the Company has recently agreed certain amendments to the Facilities Agreement with the Lenders.

Loan note agreements

A note purchase agreement was entered into on 12 November 2007 between Chemring and a number of third party investors (the "**2007 Noteholders**"), pursuant to which Chemring issued \$125 million 6.28 per cent. notes due 12 November 2017 and £12.5 million 6.81 per cent. notes due 12 November 2017

(collectively the “**2007 Notes**”), as amended and supplemented by amendment agreements, the most recent of which is dated 9 April 2014 (as so amended and supplemented, the “**2007 Note Purchase Agreement**”).

A note purchase agreement was also entered into on 19 November 2009 between Chemring and a number of third party investors (the “**2009 Noteholders**”), pursuant to which Chemring issued \$80 million 5.26 per cent. notes due 19 November 2016, \$140 million 5.68 per cent. notes due 19 November 2019, and \$60 million 5.68 per cent. notes due 19 November 2019 (collectively the “**2009 Notes**”), as amended and supplemented by amendment agreements, the most recent of which is dated 9 April 2014 (as so amended and supplemented, the “**2009 Note Purchase Agreement**”).

The 2007 Notes and the 2009 Notes are collectively referred to as the “**Notes**”, the 2007 Noteholders and the 2009 Noteholders are collectively referred to as the “**Noteholders**”, and the 2007 Note Purchase Agreement and the 2009 Note Purchase Agreement are collectively referred to as the “**Note Purchase Agreements**”.

Purpose

The Note Purchase Agreements provided funds to enable Chemring to finance acquisitions permitted by the Note Purchase Agreements, to refinance other existing indebtedness, and for the general corporate purposes of the Chemring Group.

Interest rates

Interest is payable on the balance of the outstanding Notes on a half-yearly basis at the rate specified in each Note.

An increased interest charge is payable for any quarter ended 30 April 2013, 31 July 2013, 31 October 2013 or 31 January 2014, during which the ratio of the Chemring Group’s consolidated total debt to consolidated EBITDA is greater than 3 times. An increased interest charge is also payable for any period in which Chemring’s credit rating is down-graded.

Default interest is chargeable as is customary.

Repayment

The Notes must be repaid on the dates specified in each Note.

Standard mandatory prepayment provisions are applicable to the Note Purchase Agreements (including a mandatory prepayment event on a change of control of Chemring). Voluntary prepayments may be made upon not less than thirty days’ notice, in amounts of not less than 10 per cent. of the aggregate outstanding principal of the Notes, subject to the payment of a make-whole amount.

Guarantee

Those subsidiaries of Chemring (including Mecar) which have provided guarantees under the Facilities Agreement are also required to provide similar guarantees of the punctual performance of Chemring’s obligations under the Notes. Each such guarantor undertakes to indemnify the Noteholders immediately on demand against any cost, loss or liability they incur as a result of Chemring’s non-performance under the Notes.

The Notes are unsecured, and rank *pari passu* to the Facilities.

Covenants, warranties and representations

A number of standard representations and warranties have been given in the Note Purchase Agreements. Customary materiality tests, carve outs and grace periods also apply.

The Note Purchase Agreements require the Chemring Group to comply with a number of customary undertakings (including financial covenants).

Events of default

The events of default are usual for notes and transactions of this type.

Upon the occurrence of an event of default which is not remedied or waived, the Noteholders may require all outstanding Notes to be repaid immediately, together with a make whole amount.

Amendment

As set out in paragraph 6 of Part I (*Letter from the Chairman of Chemring*), the Company has recently agreed certain amendments to the Note Purchase Agreements with the Noteholders.

Marine business sale agreement

By a share purchase agreement dated 5 June 2012, Chemring and certain of its subsidiaries sold (i) the shares of Chemring Marine Limited, (ii) the shares of Chemring Marine Spain S.L., (iii) the shares of Chemring Marine Germany GmbH and (iv) the business and assets of the marine business of Chemring Australia Pty Ltd, together comprising Chemring's marine pyrotechnics business, to Drew Marine Jasmine UK Limited and Drew Marine Australia Pty Limited for a final consideration of £31 million. The share purchase agreement contains customary warranties, indemnities and covenants for a transaction of this nature.

South Dakota build-to-print business sale agreement

By an asset purchase agreement dated 19 December 2013, Chemring Energetic Devices, Inc. and Technical Ordnance Realty LLC, subsidiaries of Chemring, sold the business and assets of their South Dakota build-to-print operation to Amtec Corporation for a consideration of \$10 million. The asset purchase agreement contains customary warranties, representations, indemnities and covenants for a transaction of this nature.

Pension funding agreement

On 5 July 2013, Chemring entered into a funding agreement with the trustees of the Chemring Group Staff Pension Scheme (the "**Scheme**"), pursuant to which a plan was agreed for funding the deficit arising on the actuarial valuation of the Scheme as at 6 April 2012 (the "**2013 Scheme Funding Agreement**"). The 2013 Scheme Funding Agreement replaced the previous funding agreement entered into between the trustees of the Scheme and the Company, pursuant to which the Company would have been required to pay a cash contribution of up to £20 million to the Scheme in June 2014.

The 2013 Scheme Funding Agreement provides that:

- (a) the Company will make the following contributions to the Scheme – £1.5 million over the period from 1 July 2013 to 31 December 2013; £6 million over the period from 1 January 2014 to 30 June 2014; and £5 million per annum from 1 July 2014 to 30 June 2019;
- (b) the Company will provide letters of credit to the Scheme in an aggregate sum of £20 million, which may be reduced as cash contributions are paid to the Scheme in accordance with (i) above; and
- (c) the Company will provide a bank guarantee to the Scheme for £7.2 million for the period to 30 June 2019, which may be called upon by the Scheme in the event of certain defaults by the Company or the insolvency of the Company.

8.2 Mecar

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by or on behalf of Mecar either: (i) within the period of two years immediately preceding the date of this document, which are or may be material to Mecar; or (ii) at any time, which contain any provisions under which Mecar has an obligation or entitlement which is or may be material as at the date of this document.

8.3 Simmel

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by or on behalf of Simmel either: (i) within the period of two years immediately preceding the date of this document, which are or may be material to Simmel; or (ii) at any time, which contain any provisions under which Simmel has an obligation or entitlement which is or may be material as at the date of this document.

9. LITIGATION

9.1 The Retained Group

Except as set out in this Section 9, there are no, nor have there been any, governmental, legal or arbitration proceedings (nor is the Company aware of any such proceedings which are pending or threatened) which may have, or during the last 12 months prior to the date of this document have had, a significant effect on the financial position or profitability of the Retained Group.

NLAW contract

In 2003, Chemring Energetics UK Limited (“**CEUK**”), a current Chemring Group subsidiary, contracted with Saab Bofors Dynamics AB (“**Saab**”) for the supply of certain components for the NLAW combat weapon. CEUK successfully manufactured and supplied these components over a number of years but in 2012, started to experience performance issues during pre-production testing of the products. CEUK instigated a full investigation in order to identify the root cause of these performance issues. During the course of this investigation, CEUK was unable to locate certain historical test data for previously-manufactured components, as a consequence of which Saab and its customer decided to recall certain products manufactured during the period for which test data was unavailable for further testing.

CEUK believes that it has now identified the root cause of the performance issues first identified in 2012.

Saab has indicated that it intends to pursue a claim against CEUK for costs incurred during the recall of its products and costs associated with the delayed supply of components by CEUK since 2012. A pre-action letter has been received from Saab in which it claims that its costs could be as much as £14 million. Chemring believes this threatened claim to be grossly inflated and would vigorously defend a claim of this quantum. Furthermore, CEUK believes that, in the event of a claim being made, it would have recourse to a sub-contractor in respect of the performance issues which have arisen.

9.2 Mecar

There are no, nor have there been any, governmental, legal or arbitration proceedings (nor is the Company aware of any such proceedings which are pending or threatened) which may have, or during the last 12 months prior to the date of this document have had, a significant effect on the financial position or profitability of Mecar.

9.3 Simmel

Except as set out in this Section 9, there are no, nor have there been any, governmental, legal or arbitration proceedings (nor is the Company aware of any such proceedings which are pending or threatened) which may have, or during the last 12 months prior to the date of this document have had, a significant effect on the financial position or profitability of Simmel.

Simmel holds a 10 per cent. stake in Servizi Colleferro s.c.p.a. (“**CSC**”), a company that is responsible for supplying water to, and collecting and purifying wastewater deriving from, the Colleferro industrial area in Rome, where one of Simmel’s manufacturing sites is based. The remaining share capital of CSC is held by other companies based on the Colleferro site.

On 31 July 2013, the public prosecutor of Velletri (Rome) (the “**Prosecutor**”) issued an indictment decree against certain individuals, including two representatives of CSC (neither of whom are otherwise employed by, related to or associated with Simmel or any other member of the Chemring Group), alleging charges of “negligent environmental disaster”, “negligent water poisoning” and “unauthorized wastewater discharges”. In its indictment, the Prosecutor alleges that rainwater was contaminated by certain industrial compounds and illegal landfills situated at the Colleferro site (but not under the control of CSC) and that this contaminated rainwater then flowed through a well managed by CSC into the nearby Sacco river, without first being purified by CSC. The Italian Ministry of the Environment (the “**Ministry**”) issued and served a claim for damages on CSC and certain other defendants (unrelated to Simmel or any other member of the Chemring Group) in connection with the alleged contamination referred to above on 13 November 2013. The Ministry filed a revised claim for damages against the same parties on 24 January 2014 in the amount of approximately €10 million plus an additional claim for ‘moral damages’ in the amount of €10 million (excluding technical and safety charges and tax). CSC may, if the Court permits, be joined to the criminal proceedings as a

purportedly civilly liable party. A preliminary hearing of the criminal court of Velletri began on 4 February 2014 and is expected to last for some months. The court will consider certain administrative matters and undertake an initial review of the subject matter of the relevant claims.

Simmel believes that there would be available to it and CSC a number of defences to the civil claim and intends to vigorously defend itself. However, pending completion of the preliminary hearing, neither Simmel nor Chemring is able to make any further assessment as to the likely outcome of these proceedings.

These proceedings are the subject of an indemnity in favour of the Purchaser under the Simmel Sale Agreement, as described further in Part V (*Summary of the Principal Terms and Conditions of the Mekar Disposal and Simmel Disposal*).

10. RELATED PARTY TRANSACTIONS

Details of related party transactions (which for these purposes are those set out in the standards adopted according to Regulation (EC) No 1606/2002) that the Chemring Group has entered into are set out below:

- during the financial year ended 31 October 2011, such transactions are disclosed in note 36 on page 94 of the Company's 2011 annual report and accounts which is hereby incorporated by reference into this document;
- during the financial year ended 31 October 2012, such transactions are disclosed in note 36 on page 96 of the Company's 2012 annual report and accounts which is hereby incorporated by reference into this document;
- during the financial year ended 31 October 2013, such transactions are disclosed in note 40 on page 142 of the Company's 2013 annual report and accounts which is hereby incorporated by reference into this document; and
- during the period from 1 November 2013 to the date of this Circular, the following related party transactions are disclosed:
 - Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.
 - Transactions with the Group's pension schemes amounted to £4.6 million.
 - Remuneration of key management personnel (as defined in the Company's 2013 annual report and accounts) amounted to £0.6 million.

11. NO SIGNIFICANT CHANGE

11.1 The Retained Group

Save as disclosed in Chemring's Interim Management Statement announced 27 February 2014 and set out in Part I of this document, there has not been any significant change in the financial or trading position of the Retained Group since 31 October 2013, being the date to which the last published audited financial information on the Retained Group was prepared.

11.2 Mekar

Save as disclosed in Chemring's Interim Management Statement announced 27 February 2014 and set out in Part I of this document, with reference to the Munitions business of which both Mekar and Simmel are the primary constituents, there has not been any significant change in the financial or trading position of Mekar since 31 October 2013, being the date to which the last audited financial information on Mekar was prepared.

11.3 Simmel

Save as disclosed in Chemring's Interim Management Statement announced 27 February 2014 and set out in Part I of this document, with reference to the Munitions business of which both Mekar and Simmel are the primary constituents, there has not been any significant change in the financial or trading position of Simmel since 31 October 2013, being the date to which the last audited financial information on Simmel was prepared.

12. WORKING CAPITAL

Chemring is of the opinion that, taking into account the bank and other facilities available to the Retained Group and the net proceeds from the European Munitions Business Disposal, the working capital available to the Retained Group is sufficient for its present requirements, that is for 12 months from the date of this document.

13. CONSENTS

Deloitte is a member firm of the Institute of Chartered Accountants in England and Wales and has given, and not withdrawn, its written consent to the inclusion of its report on the unaudited pro forma statement of net assets of the Retained Group set out in Section 2 of Part IV (*Unaudited Pro Forma Statement of Net Assets of the Retained Group*) of this document in the form and context in which it appears.

Investec has given, and not withdrawn, its written consent to the issue of this document with references to its name being included in the form and context in which they appear.

Moelis & Company has given, and not withdrawn, its written consent to the issue of this document with references to its name being included in the form and context in which they appear.

14. INFORMATION INCORPORATED BY REFERENCE

Information from the following documents has been incorporated into this document by reference:

<i>Reference document</i>	<i>Information incorporated by reference</i>
Chemring's 2013 Annual Report and Accounts	Information on related party transactions in note 40 on page 142 Material risks which generally affect the Chemring Group on pages 36 to 40
Chemring's 2012 Annual Report and Accounts	Information on related party transactions in note 36 on page 96
Chemring's 2011 Annual Report and Accounts	Information on related party transactions in note 34 on page 94

A person who has received this document may request a copy of such documents incorporated by reference. A copy of any such documents or information incorporated by reference will not be sent to such persons unless requested from Chemring's Registrars at Computershare Investor Services PLC, of The Pavilions, Bridgwater Road, Bristol BS99 6ZY, or by calling the shareholder helpline between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (except UK public holidays) on 0870 889 3289. Please note that calls may be monitored or recorded and the helpline cannot provide financial, legal or tax advice or advice on the merits of the Disposal. If requested, copies will be provided, free of charge, within two business days of the request.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of the Company at 1500 Parkway, Whiteley, Fareham, Hampshire PO15 7AF and at the offices of Freshfields Bruckhaus Deringer LLP at 65 Fleet Street, London EC4Y 1HS from the date of this document up to and including the date of the General Meeting and for the duration of the General Meeting:

- (a) the Articles;
- (b) the audited financial statements of the Chemring Group for each of the financial years ended 31 October 2011, 2012 and 2013;
- (c) the consent letters referred to in Section 13 of this Part VI (*Additional Information*) of this document;
- (d) the report of Deloitte set out in Section 2 of Part IV (*Unaudited Pro Forma Statement of Net Assets of the Retained Group*) of this document;
- (e) this document and the Form of Proxy; and
- (f) the Sale Agreements.

PART VII

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“£” or “Sterling”	the lawful currency from time to time of the United Kingdom
“€” or “Euro”	the lawful currency from time to time of the European Union
“\$” or “US Dollar”	the lawful currency from time to time of the United States of America
“2007 Noteholders”	has the meaning given to it in Section 8 of Part VI (<i>Additional Information</i>) of this document
“2009 Noteholders”	has the meaning given to it in Section 8 of Part VI (<i>Additional Information</i>) of this document
“2007 Notes”	has the meaning given to it in Section 8 of Part VI (<i>Additional Information</i>) of this document
“2007 Note Purchase Agreement”	has the meaning given to it in Section 8 of Part VI (<i>Additional Information</i>) of this document
“2009 Notes”	has the meaning given to it in Section 8 of Part VI (<i>Additional Information</i>) of this document
“2009 Note Purchase Agreement”	has the meaning given to it in Section 8 of Part VI (<i>Additional Information</i>) of this document
“2013 Scheme Funding Agreement”	has the meaning given to it in Section 8 of Part VI (<i>Additional Information</i>) of this document
“Articles”	the articles of association of the Company
“Board”	the board of Directors of the Company
“Borrowers”	has the meaning given to it in Section 8 of Part VI (<i>Additional Information</i>) of this document
“Chairman”	Peter Hickson, the independent non executive chairman of the Company
“CEUK”	has the meaning given to it in Section 9 of Part VI (<i>Additional Information</i>) of this document
“Chemring” or “Company”	Chemring Group PLC, incorporated in England and Wales with registered number 86662 and whose registered office is at Chemring House, 1500 Parkway, Whiteley, Fareham, Hampshire PO15 7AF
“Chemring Group”	in respect of any time prior to Completion, the Company and its consolidated subsidiaries and subsidiary undertakings and, in respect of any time following Completion, the Retained Group
“Chemring Shares”	the ordinary shares of 1 pence each and the preference shares of £1 each in the capital of the Company

“CHG”	CHG Overseas Limited, incorporated in England and Wales with registered number 02731691 and whose registered office is at Chemring House, 1500 Parkway, Whiteley, Fareham, Hampshire, PO15 7AF
“Completion”	completion of the Disposal
“CREST”	the UK based system for the paperless settlement of trades in listed securities, of which Euroclear UK & Ireland Limited is the operator in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“CREST Manual”	the manual, as amended from time to time, produced by Euroclear UK and Ireland Limited describing the CREST system, and supplied by Euroclear UK and Ireland Limited to users and participants thereof
“CSC”	has the meaning given to it in Section 9 of Part VI (<i>Additional Information</i>) of this document
“Debt Facilities”	has the meaning given to it in Part I (Letter from the Chairman of Chemring)
“Deloitte”	Deloitte LLP, incorporated in England and Wales with registered number OC 303675 and whose registered address is 2, New Street Square, London, EC4A 3BZ
“Directors”	the Executive Directors and Non Executive Directors of the Company
“Disclosure and Transparency Rules” or “DTRs”	the Disclosure and Transparency Rules made by the FCA for the purposes of Part VI of FSMA
“Disposal” or “European Munitions Business Disposal”	collectively the Mear Disposal and the Simmel Disposal
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“European Munitions Business”	the Chemring Group’s European munitions business, as carried on by Mear and Simmel
“Executive Directors”	the executive Directors of the Company, currently Mark Papworth, Steve Bowers and Sarah Ellard
“Facilities”	has the meaning given to it in Section 8 of Part VI (<i>Additional Information</i>) of this document
“Facilities Agreement”	has the meaning given to it in Section 8 of Part VI (<i>Additional Information</i>) of this document
“FCA”	the Financial Conduct Authority of the UK, its predecessors or its successors from time to time, including, as applicable, in its capacity as the competent authority for the purposes of Part VI of FSMA
“Form of Proxy”	the form of proxy in connection with the General Meeting, which accompanies this document
“FSMA”	the Financial Services and Markets Act 2000, as amended

“General Meeting”	the general meeting of the Company to be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, EC4Y 1HS at 9.00 a.m. on 12 May 2014
“Guarantors”	has the meaning given to it in Section 8 of Part VI (<i>Additional Information</i>) of this document
“IFRS”	the International Financial Reporting Standards, as adopted by the European Union
“Investec”	Investec Bank plc, incorporated in England and Wales with registered number 00489604 and whose registered address is 2 Gresham Street, London EC2V 7QP
“Lenders”	has the meaning given to it in Section 8 of Part VI (<i>Additional Information</i>) of this document
“Listing Rules”	the Listing Rules made by the FCA for the purposes of Part VI of FSMA
“London Stock Exchange”	London Stock Exchange PLC, of 10 Paternoster Square, London EC4M 7LS
“Mecar”	Mecar S.A.
“Mecar Completion”	completion of the Mecar Disposal
“Mecar Disposal”	the proposed disposal by the Company of Mecar to the Purchaser pursuant to the Mecar Sale Agreement
“Mecar Locked Box Accounts Date”	31 October 2013
“Mecar Long Stop Date”	24 June 2014
“Mecar Sale Agreement”	the share purchase agreement dated 24 April 2014 entered into between, the Mecar Sellers and Purchaser in connection with the Mecar Disposal, as described in more detail in Part V (<i>Summary of the Principal Terms and Conditions of the Mecar Disposal and Simmel Disposal</i>) of this document
“Mecar Sellers”	the Company and CHG
“Mecar Tax Covenant”	the covenant relating to tax set out in the Mecar Sale Agreement
“Mecar Tax Schedule”	the schedule relating to tax set out in the Mecar Sale Agreement
“Mecar Tax Warranties”	the warranties relating to tax set out in the Mecar Sale Agreement
“Mecar Warranties”	the warranties given by the Mecar Sellers under the Mecar Sale Agreement
“Moelis & Company”	Moelis & Company UK LLP, incorporated in England and Wales with registered number OC 340005 and whose registered address is 1st Floor, Condor House, 10 St Pauls Churchyard, London EC4M 8AL
“NATO”	the North Atlantic Treaty Organisation
“Nexter” or “Purchaser”	Nexter Systems S.A.

“Non Executive Directors”	the non executive Directors of the Company, currently Ian Much, Peter Hickson, Nigel Young, Vanda Murray and Andy Hamment
“Note Purchase Agreements”	has the meaning given to it in Section 8 of Part VI (<i>Additional Information</i>) of this document
“Noteholders”	has the meaning given to it in Section 8 of Part VI (<i>Additional Information</i>) of this document
“Notes”	has the meaning given to it in Section 8 of Part VI (<i>Additional Information</i>) of this document
“Notice of General Meeting”	the notice of the General Meeting, as set out in Part VIII (<i>Notice of General Meeting</i>) of this document
“Pro Forma Financial Information”	the information set out in Part IV (<i>Unaudited Pro Forma Statement of Net Assets of the Retained Group</i>) of this document
“Prosecutor”	has the meaning given to it in Section 9 of Part VI (<i>Additional Information</i>) of this document
“PSP”	the Chemring Group Performance Share Plan
“Registrars”	Computershare Investor Services PLC, of The Pavilions, Bridgwater Road, Bristol BS13 8AE
“Resolution”	the resolution being proposed at the General Meeting to approve the Disposal and to grant the Directors authority to implement the Disposal
“Retained Group”	the Company and its subsidiaries and subsidiary undertakings from time to time (excluding, for the avoidance of doubt, Mekar and Simmel after Completion), being the continuing business of the Chemring Group following Completion
“RIS”	a Regulatory Information Service that is approved by the FCA and that is on the list of Regulatory Information Services maintained by the FCA
“Saab”	has the meaning given to it in Section 9 of Part VI (<i>Additional Information</i>) of this document
“Sale Agreements”	the Mekar Sale Agreement and the Simmel Sale Agreement
“Scheme”	the Chemring Group Staff Pension Scheme
“Shareholders”	the holders of Chemring Shares from time to time
“Simmel”	Simmel Difesa S.p.A.
“Simmel Completion”	completion of the Simmel Disposal
“Simmel Disposal”	the proposed disposal by the Company of Simmel to the Purchaser pursuant to the Simmel Sale Agreement
“Simmel Locked Box Accounts Date”	31 October 2013
“Simmel Long Stop Date”	24 October 2014

“Simmel Sale Agreement”	the share purchase agreement dated 24 April 2014 entered into between, the Simmel Seller, the Company and Purchaser in connection with the Simmel Disposal, as described in more detail in Part V (<i>Summary of the Principal Terms and Conditions of the Mekar Disposal and Simmel Disposal</i>) of this document
“Simmel Seller”	Chemring Luxembourg Holding s.à r.l. incorporated in Luxembourg with registered number B152588 and whose registered office is at 1A, rue Thomas Edison L-1445 Strassen, Luxembourg
“Simmel Tax Covenant”	the covenant relating to tax set out in the Simmel Sale Agreement
“Simmel Tax Schedule”	the schedule relating to tax set out in the Simmel Sale Agreement
“Simmel Tax Warranties”	the warranties relating to tax set out in the Simmel Sale Agreement
“Simmel Warranties”	the warranties given by the Simmel Seller under the Simmel Sale Agreement
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UKSP”	the Chemring Group 2008 UK Sharesave Plan

PART VIII

NOTICE OF GENERAL MEETING

Chemring Group PLC

(the "Company")

(Company number 86662)

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of the Company will be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, EC4Y 1HS at 9.00 a.m. on 12 May 2014 to consider, and if thought fit, to pass the resolution, which shall be proposed as an ordinary resolution, in connection with the disposal of the Company's European munitions business, which comprises Mecar S.A. and Simmel Difesa S.p.A. (the "**Disposal**").

Ordinary resolution to approve the Disposal

THAT

- (a) the Disposal, as described in the circular to the shareholders of the Company dated 24 April 2014, be and is hereby approved; and
- (b) the directors of the Company (the "**Directors**") (or any duly constituted committee thereof) be and are hereby authorised to take all necessary or appropriate steps and to do all necessary or appropriate things to implement, complete or to procure the implementation or completion of the Disposal and give effect thereto with such modifications, variations, revisions or amendments (not being modifications, variations, revisions or amendments of a material nature) as the Directors (or any duly authorised committee thereof) may deem necessary, expedient or appropriate in connection with the Disposal.

By order of the Board

Sarah Ellard

Group Legal Director and Company Secretary

24 April 2014

Registered Office

Chemring House
1500 Parkway
Whiteley
Fareham
Hampshire
PO15 7AF
United Kingdom

Right to attend and vote at the General Meeting

1. Only persons entered in the register of members of the Company at 6.00pm on 10 May 2014 or, in the event that the meeting is adjourned, 6.00pm on the date which is two working days prior to the reconvened meeting, shall be entitled to attend or vote at the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend and vote at the meeting or adjourned meeting.

Proxy appointment

2. A shareholder of the Company entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies (who need not be shareholders in the Company) to attend, speak and vote instead of him/her. A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to a different share or shares held by him/her. A proxy need not be a shareholder of the Company. A separate proxy form should be used for each proxy appointment. If you intend appointing additional proxies, please contact Computershare Investor Services PLC on +44(0)870 889 3289 to obtain (an) additional proxy form(s). Alternatively, you may photocopy the enclosed form. A shareholder appointing more than one proxy should indicate the number of shares for which each proxy is authorised to act on his/her holding. Failure to specify the number of shares to which each proxy form relates or specifying a number which, when taken together with the number of shares set out in the other proxy appointments, is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.
3. The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting. A proxy form accompanies this Notice and in order to be valid should be completed and returned to the Company's registrars: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by not later than 9.00 a.m. on 10 May 2014. Alternatively, you may register your vote electronically by accessing the registrar's website at www.eproxyappointment.com. In order to be valid, electronic votes must also be registered not later than 9.00 a.m. on 10 May 2014 or not later than forty-eight hours before the time appointed for any adjourned meeting.

CREST members

4. Shareholders who are users of the CREST system (including CREST Personal Members) may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint a proxy or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, the CREST message must be received by the Company's agent (ID number 3RA50) not later than forty-eight hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the Company's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings, please refer to the CREST Manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Availability of documents and other information

5. The following documents will be available for inspection at the registered office of the Company during usual business hours every business day from the date of this Notice until the meeting and will be available on inspection at the place of the meeting for one hour prior to and until the close of the meeting:
 - (a) copies of directors' service contracts and letters of appointment; and
 - (b) copies of the directors' deeds of indemnity entered into in connection with the indemnification of director provisions of the Company's Articles of Association.
6. In accordance with Section 311A of the Companies Act 2006, the contents of this Notice, details of the total number of shares in respect of which members are entitled to exercise voting rights at the meeting and, if applicable, members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice will be available on the Company's website at www.chemring.co.uk.
7. You may not use any electronic address provided either in this Notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

Corporate representative

8. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the meeting. In accordance with the provisions of the Companies Act 2006 (as amended by the Companies (Shareholders' Rights) Regulations 2009), each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

Total voting rights

9. As at 23 April 2014 (being the latest business day prior to publication of this Notice), the Company's issued share capital consisted of 195,495,925 ordinary shares, carrying one vote each, and 62,500 preference shares. Preference shareholders are not entitled to attend and vote at the meeting. The Company holds 2,198,814 ordinary shares in treasury, which leaves voting rights over 193,297,111 ordinary shares.

Nominated persons

10. A person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the shareholder by who he/she was nominated, have the right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

11. The statements of the rights of shareholders in relation to the appointment of proxies in this Notice do not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by registered shareholders of the Company.

Shareholders with disabilities

12. The venue is wheelchair accessible. If you have any special access or other needs please contact us on telephone +44 1489 881880, facsimile +44 1489 881123 or email info@chemring.co.uk and we will be pleased to provide appropriate help.

Questions at the meeting

13. Under Section 319A of the Companies Act 2006 any member attending the meeting has the right to ask questions. The Company must answer any such question relating to the business being dealt with at the meeting but no such answer need be given if:
- (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - (b) the answer has already been given on a website in the form of an answer to a question; or
 - (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

