



Chemring Group PLC

Credit Suisse Aerospace & Defence Conference September 2008

© 2008 Chemring Group plc

The information in this document is the property of Chemring Group plc and may not be copied or communicated to a third party or used for any purpose other than that for which it is supplied without the express written consent of Chemring Group plc.

This information is given in good faith based upon the latest information available to Chemring Group plc, no warranty or representation is given concerning such information, which must not be taken as establishing any contractual or other commitment binding upon Chemring Group plc or any of its subsidiary or associated companies.

Chemring Group PLC

- Chemring is a leading manufacturer of high value specialist products for the defence sector through its 2 core business segments:

Energetics



£1bn



£2bn



£10bn

Countermeasures



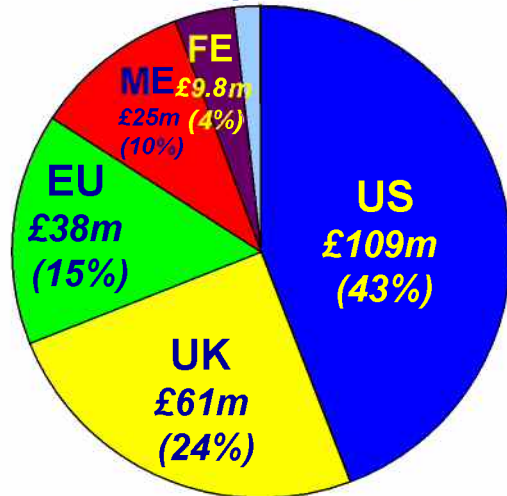
£0.5bn

Global
Market

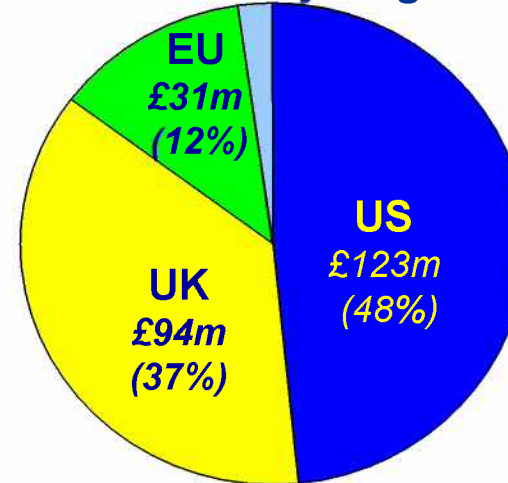
- High volume manufacturer
- Strong investment in products, facilities & safety
- Acquisitive – 11 companies in last 3 years
- Global – wide customer base in 80 countries
– 21 sites in US & Europe

Global Customer Base

Sales by Destination



Sales by Origin

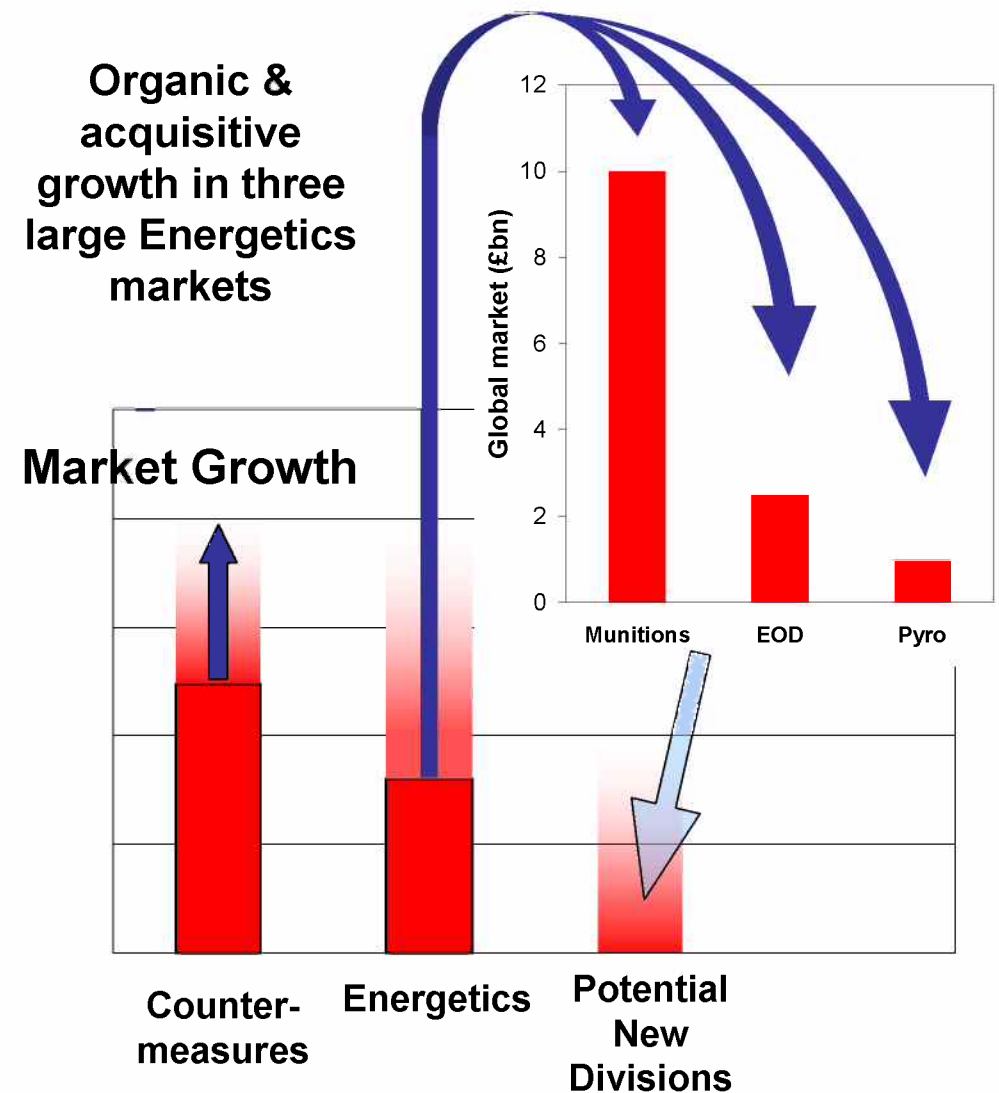


- US DoD is Chemring's largest single customer; US Air Force is largest component
- Chemring is the principal supplier of flares to US DoD and UK MoD
- Chemring has extensive relationships with prime contractors
 - BAE Systems
 - ATK
 - Saab Dynamics
 - Raytheon
 - General Dynamics
 - Martin Baker
 - Boeing
 - Lockheed Martin

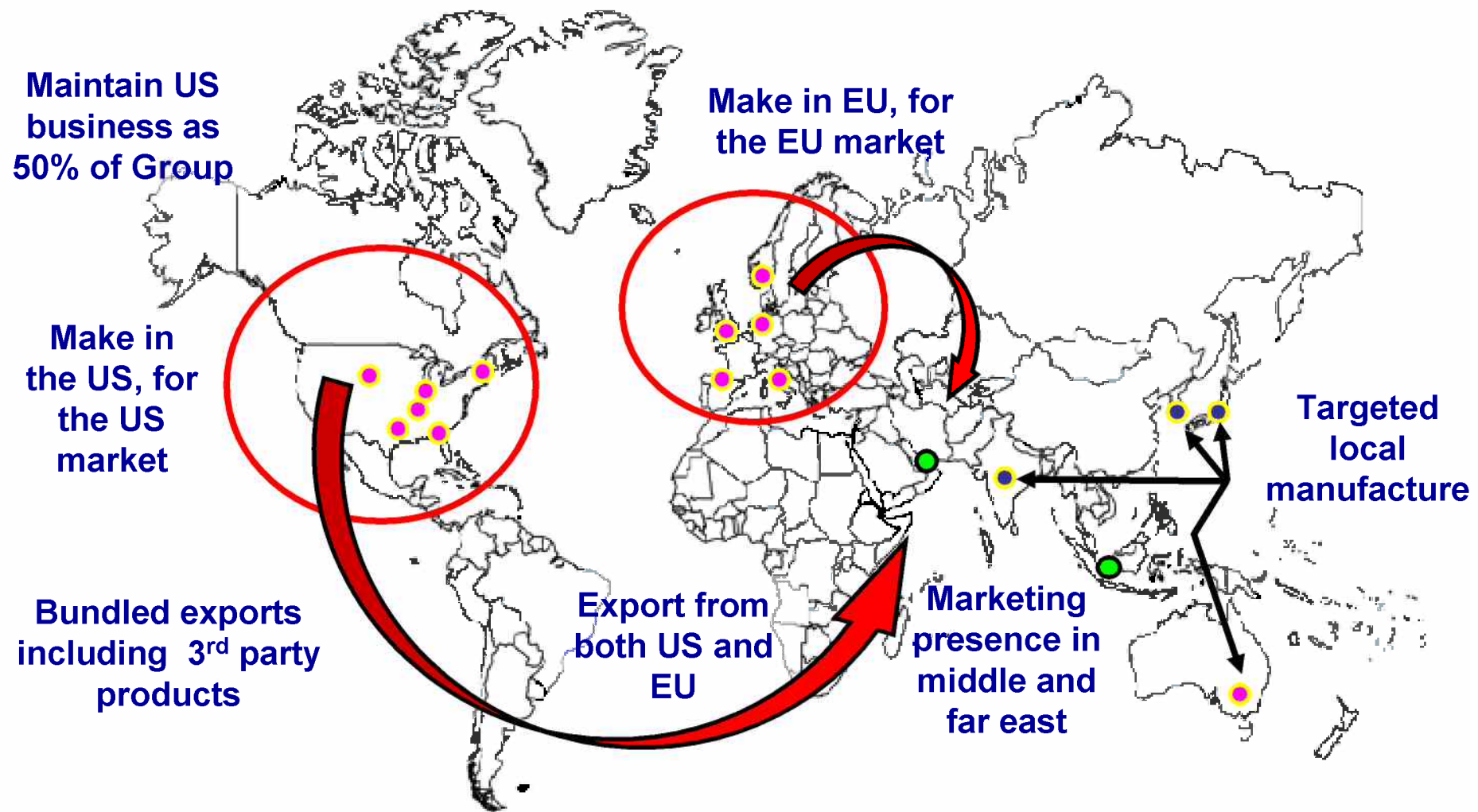
Core Strategy

Strategic Intent:

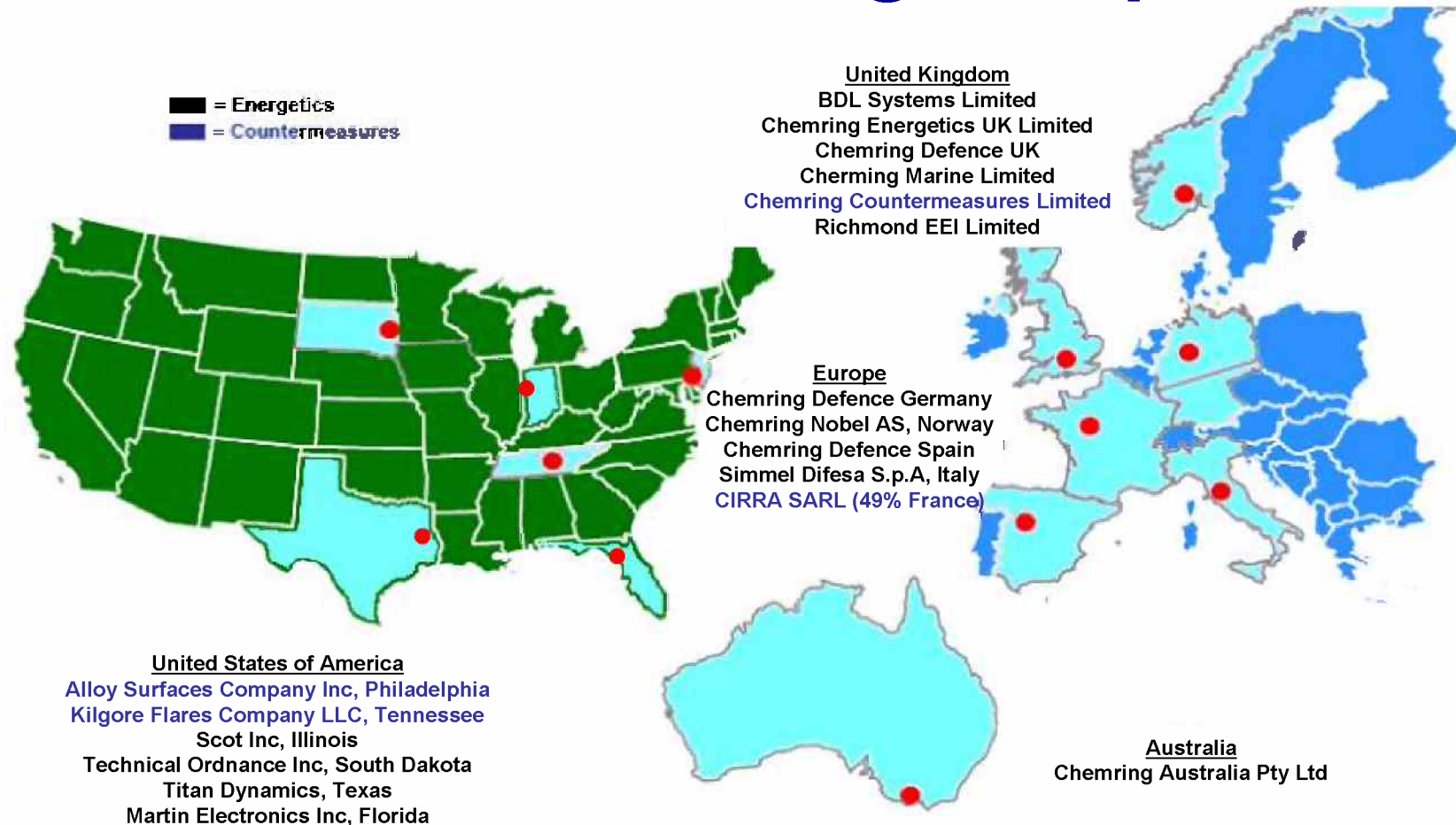
- Excellence in core competences
 - Energetic materials
 - High reliability & safety
 - High volume manufacturing
 - Global defence markets
- Maintain US/Europe Balance
- Expand countermeasures
 - Maintain position as World Leader
 - Exploit lead in SMD, spectral & thrusted flares
 - Maintain lead position on all new platforms
- Energetics focus for strong growth
 - ...be World Leader in Pyrotechnics
 - ... be World Leader in Demolition Stores
 - ...be a strategic partner for Munition Primes
 - ...be World Leader in Naval Ammunition
 - ...be a niche Prime Contractor
 - Acquisitions in both US & Europe
 - Consolidation for synergy & critical mass



Geographic Strategy



Global Manufacturing Footprint



- Manufacturing operations in eight strong defence-spending countries
- Global manufacturing footprint provides flexibility to match customer orders
- Focused programme of capital investment

Pyrotechnics Market – Global Market c.£1bn



Screening



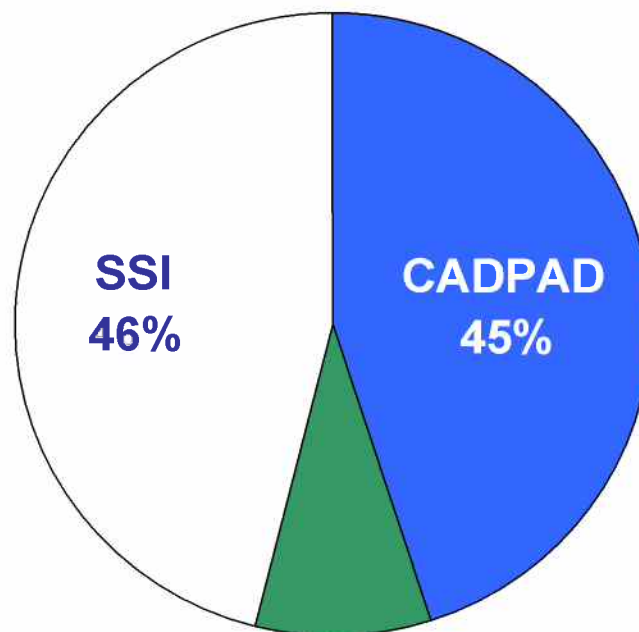
Signalling



Illumination



Marine Distress



Battlefield Simulation 9%



Missile Simulator

IED Simulator



Aircrew Egress



Cartridges & Initiators



Missiles



Space

Pyrotechnics Strategy



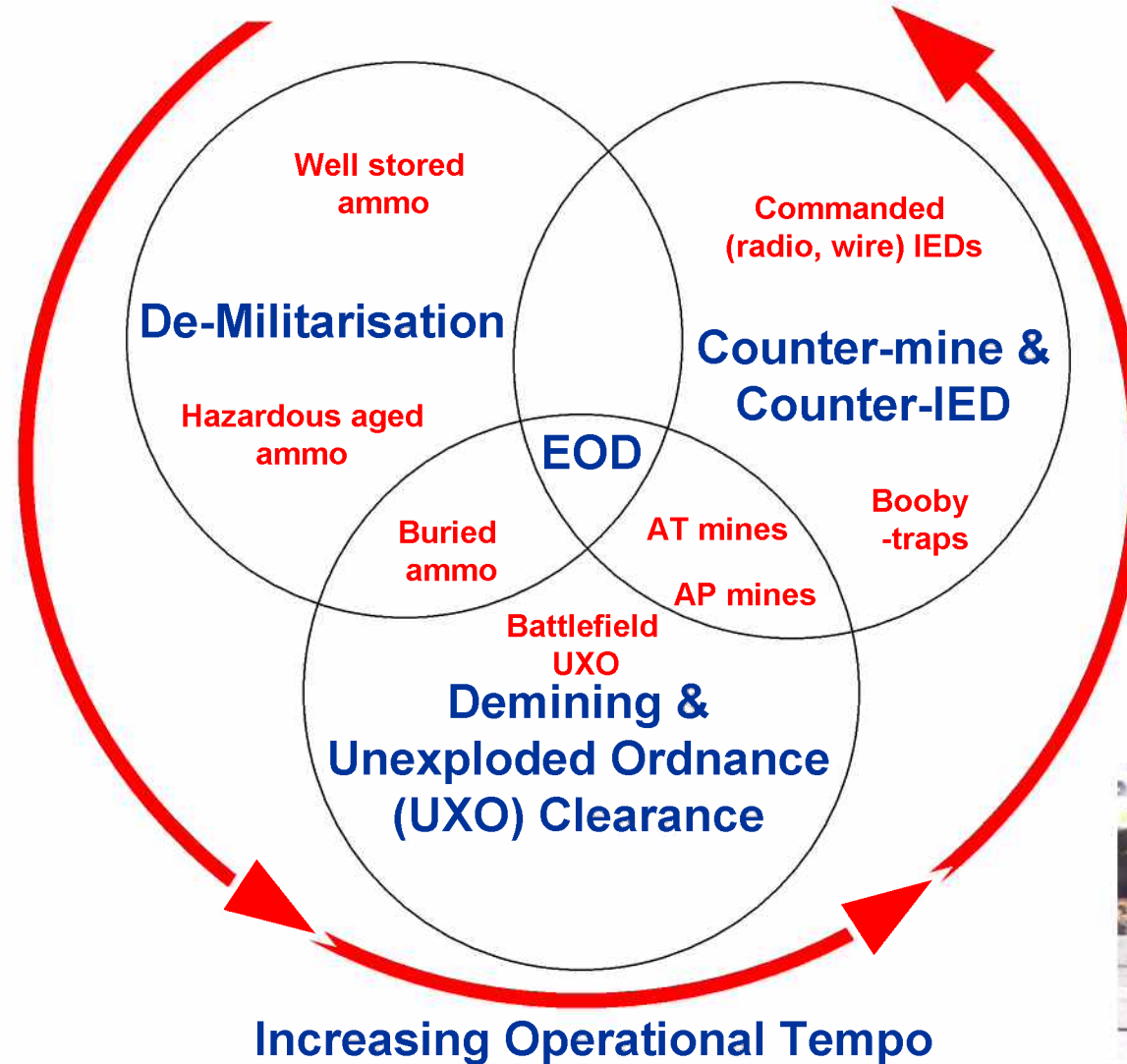
Pyrotechnics is a highly fragmented market

- Chemring has a 7.5% market share
- Large number of small competitors
- Not considered a priority market by most companies
- Many national champions with limited international access
- Often small or family-run businesses with:
 - *Manual manufacture and assembly*
 - *Low product investment*
 - *Aging technology*

Chemring strategy

- *Rapidly develop new products*
- *Displace current incumbents*
- *Establish position as cost-competitive second source*
- *Become world leader in pyrotechnics*

Explosive Ordnance Disposal – Global Market c.£2bn



EOD Strategy



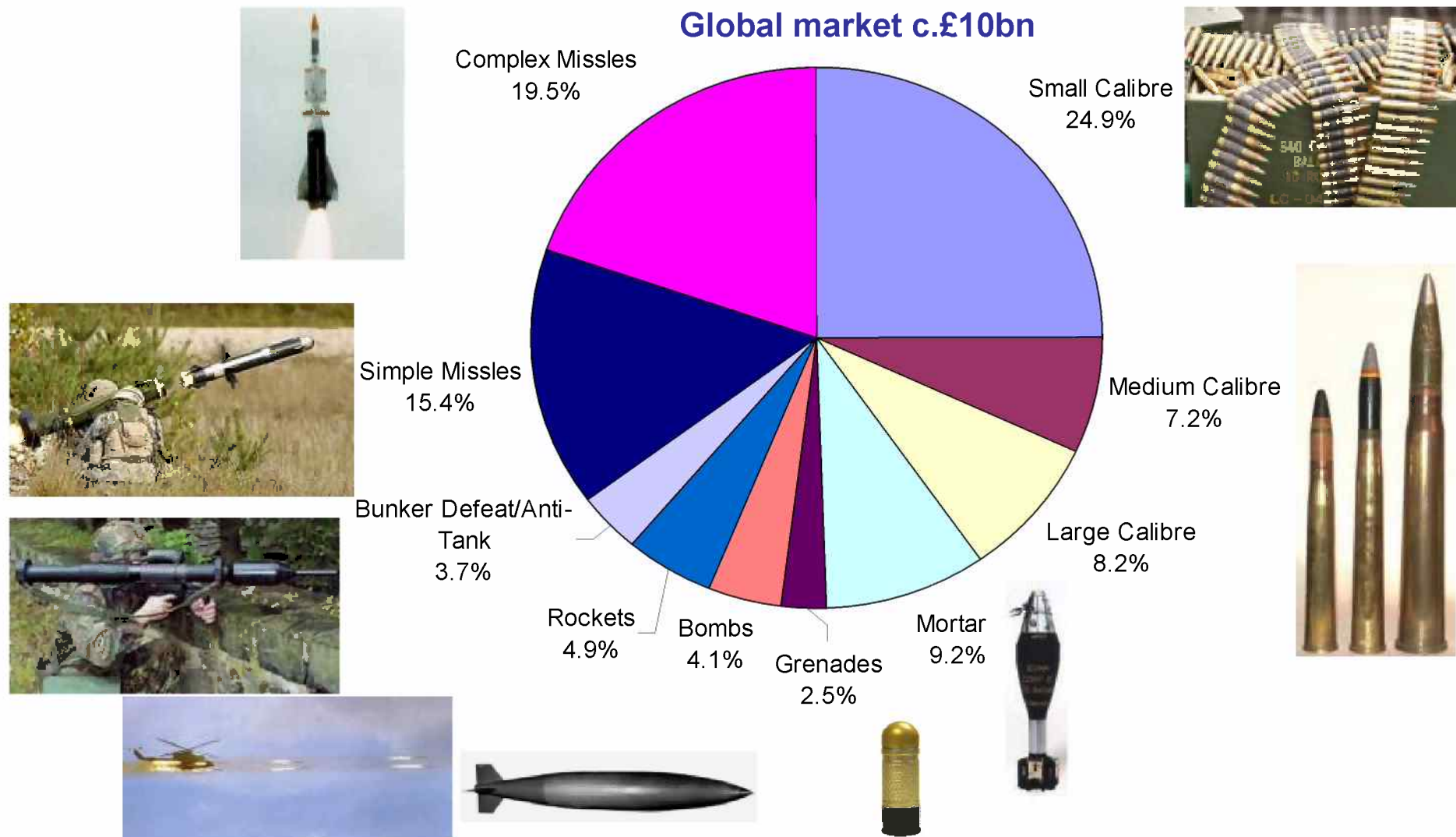
Highly fragmented market

- Large number of small players
- Users have a strong explosives background
- Fast technology cycle
 - *Rapidly evolving threat*
 - *Users need rapid prototyping*
- Constraints on sensitive technologies
- Electronics are a significant part of the market

Chemring strategy

- *Maintain world lead in:*
 - *Disrupter technology*
 - *Weapon carriers*
 - *Demolition stores*
- *Expand detection & jamming*

Munitions Market – Global Market c.£10bn



Munitions Strategy



■ 40mm Grenades

- *Develop complete family of ammunition including pyrotechnic rounds*
- *Grow strategic supplier relationships with US prime contractors*
- *Introduce medium velocity technology to US and Europe*
- *Build position as major exporter*

■ Mortars – 60mm, 81mm, 120mm calibres

- *Maintain BAE Systems partnership*
- *Develop GD relationship on lightweight mortar*
- *Develop pyrotechnic payloads for US market*

■ Naval ammunition

- *40mm L60 & L70 – expand export market position, including US Air force*
- *76mm L62 – maintain position with key customers (NATO, Middle East, India)*
- *127mm L54 – complete development of IM, microwave fuze and PFF variants*

■ Tank ammunition

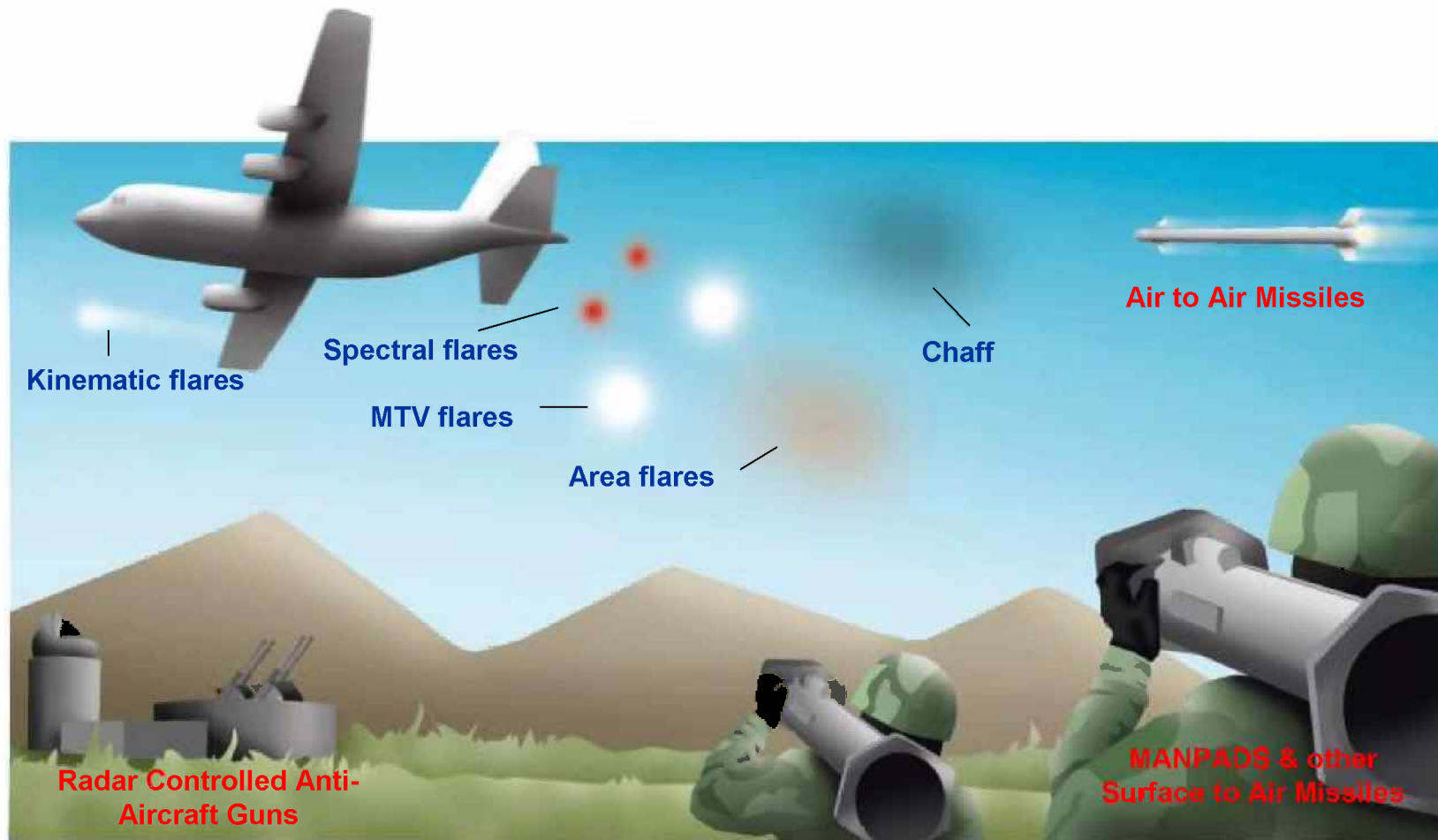
- *Maintain niche prime contractor position on 120mm and 125mm calibres*

Munitions Subsystems Strategy



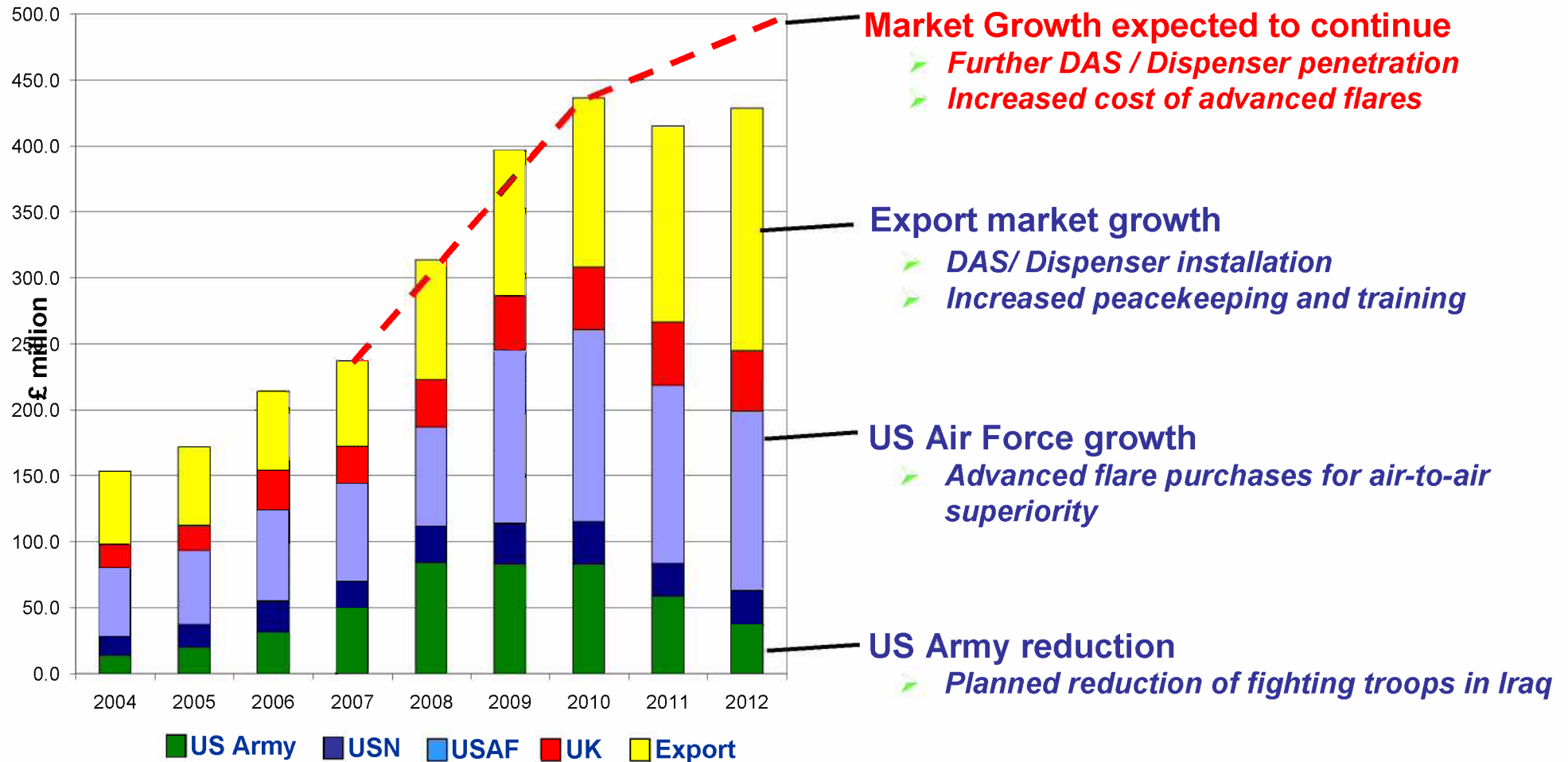
- **Propellants and rocket motors**
 - *Complete qualification of 155mm Modular Charge System*
 - *Build on NLAW position and expand relationships with missile primes*
 - *Expand position on 70mm & 81mm rockets*
- **Fuzing**
 - *40mm grenades – develop self-destruct fuze technology*
 - *Mortars – complete development of cost competitive fuze products*
 - *Medium calibre – establish position on US programmes*
- **Warheads**
 - *Expand position on European missile programmes – start PAAMS production*
 - *Complete work with Nexter on NTO IM technology*
 - *Penetrate US and European markets with range of IM products (DPX series)*
- **Pellets & Primers**
 - *Grow partnerships with leading prime contractors in US and Europe*

Countermeasures – Threat



The Global Countermeasure Market

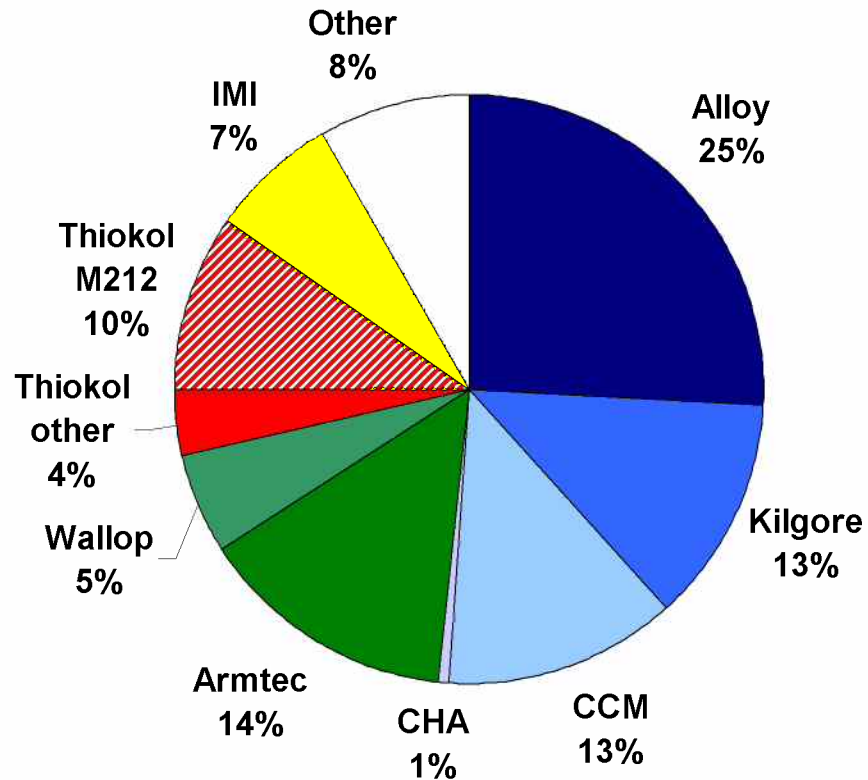
Global Market (£m)



Source: Internal estimates based on US program documentation & export market knowledge

Countermeasures Strategy

Market Shares (2007)



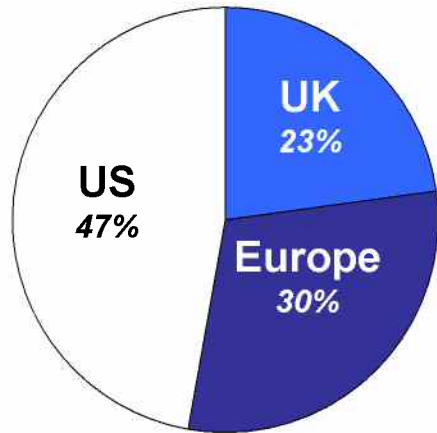
Total Market £237m

Maintain market share

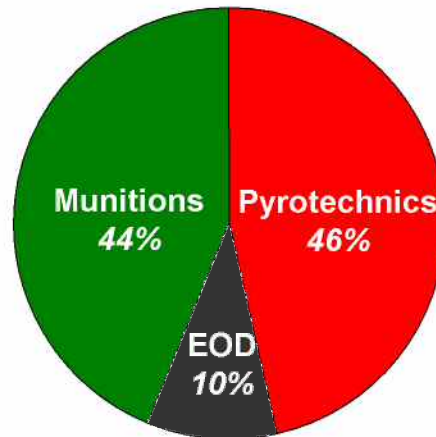
- **M212 win in US**
- **Primary supplier of advanced flares**
 - Legacy platforms – B-52, F/A-18, F-15, F-16
 - Next generation platforms – Typhoon, F-22, F-35
- **Tailored solutions for export customers**
 - Mirage
 - MiG 29
 - Su-30
- **Local manufacture in key markets**
 - Australia
 - India (JV)
 - Korea (JV)

*All figures based on program funding plans & estimates of key export markets

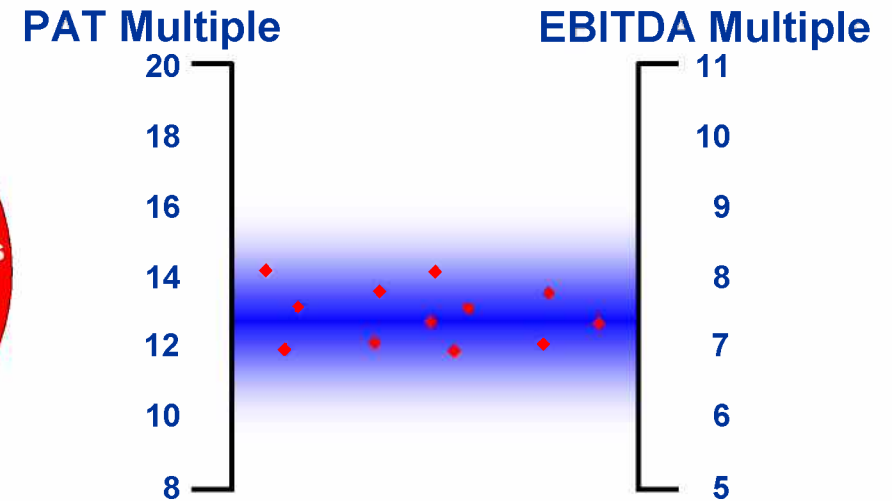
Acquisitions



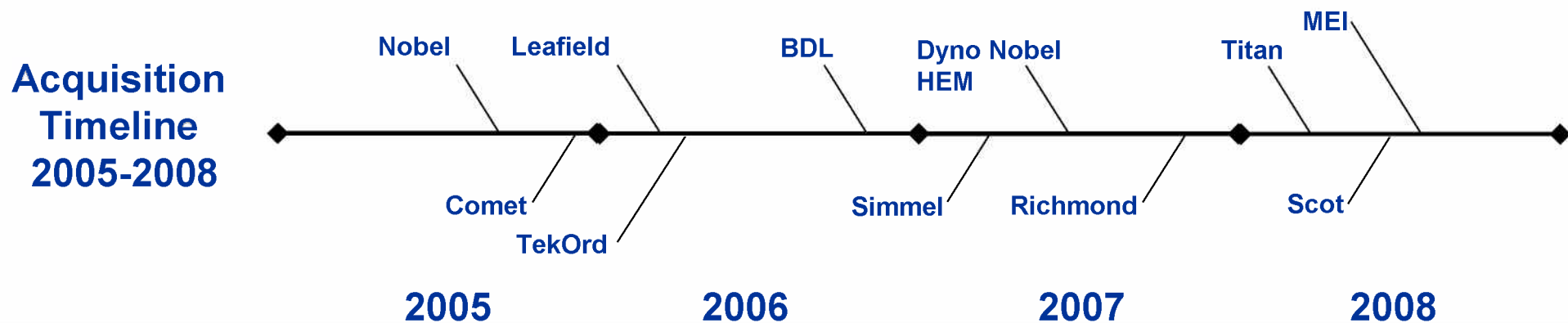
Geographic Balance



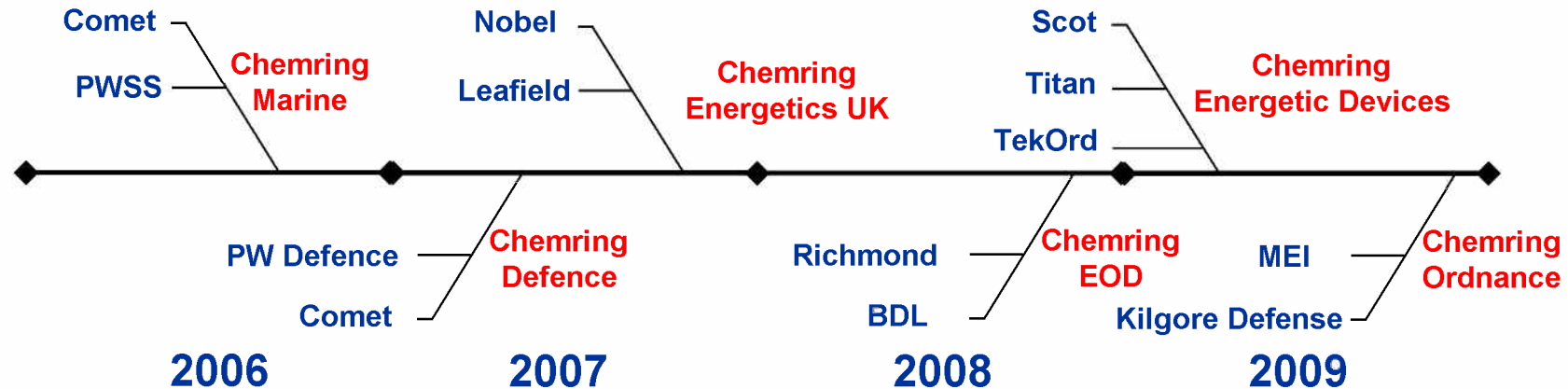
Split by Segment



Total investment on acquisitions from 2005 -2008 c.£200m



Acquisition Integration

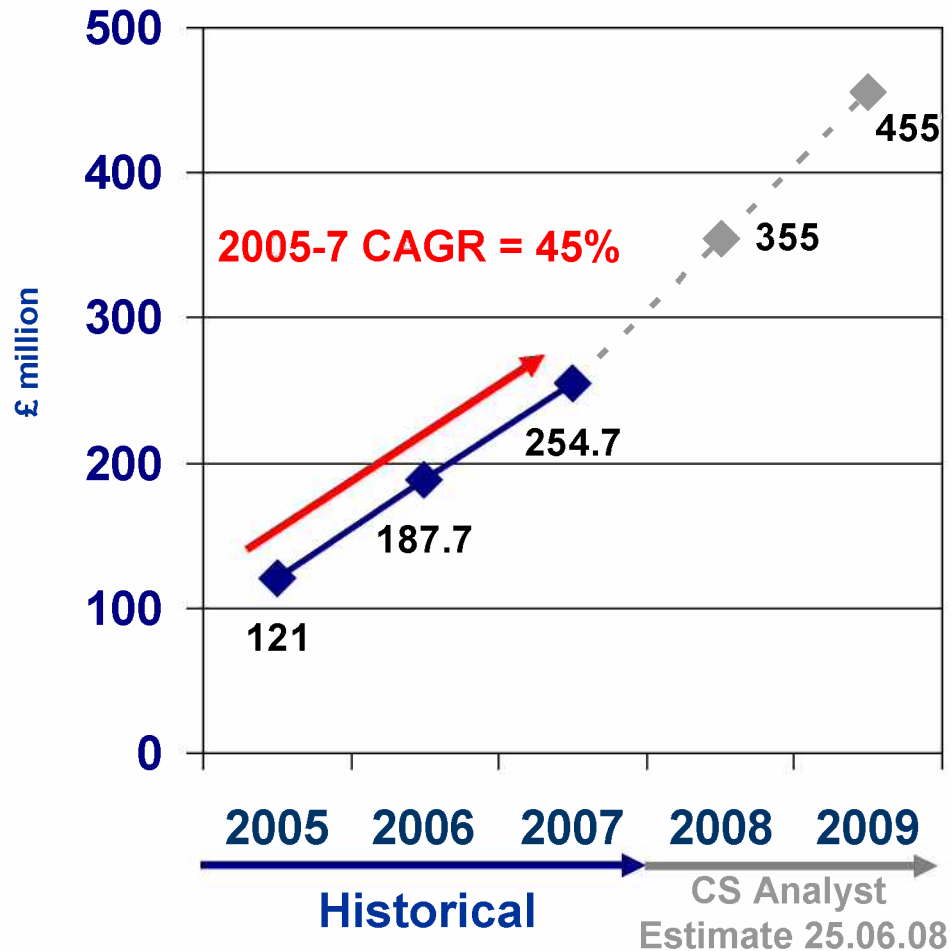


Integration strategy

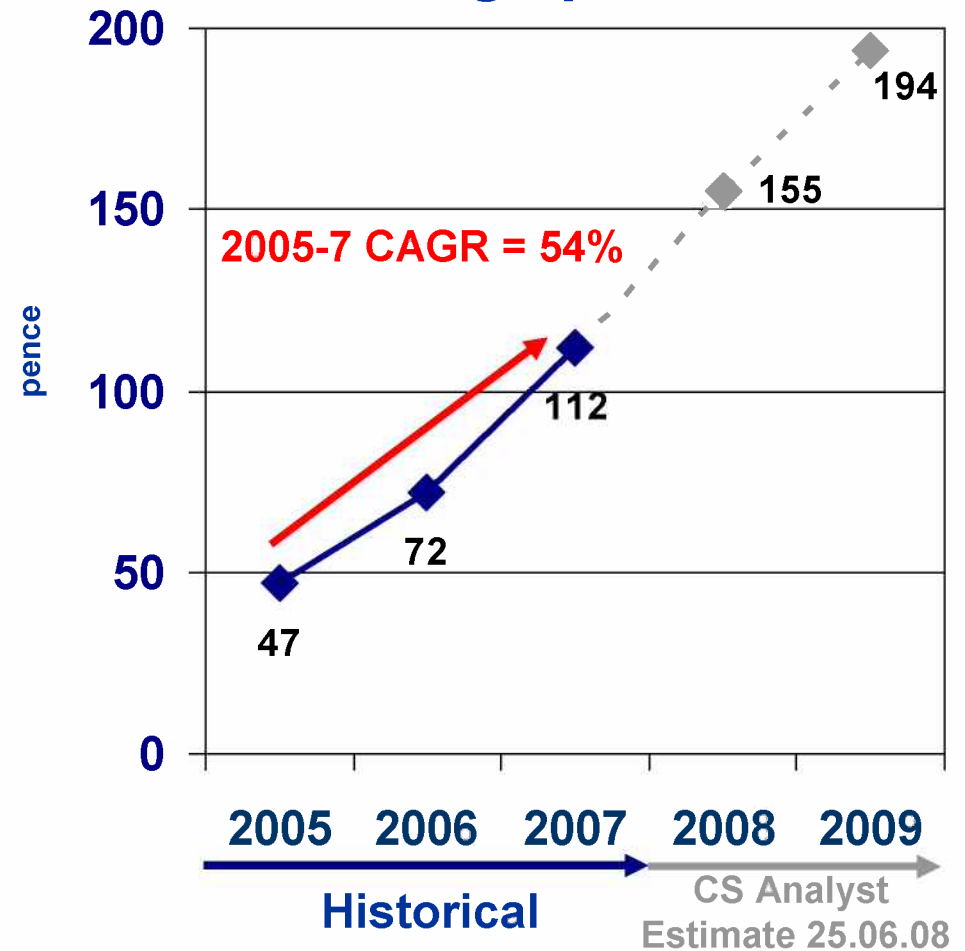
- Establish product Centre of Excellence
- Start improved product investment
- Take products to global market – access to 80 countries
- Significantly increase production volumes
- Introduce automated manufacture
- Substantial investment in safety

Financial Review

Sales



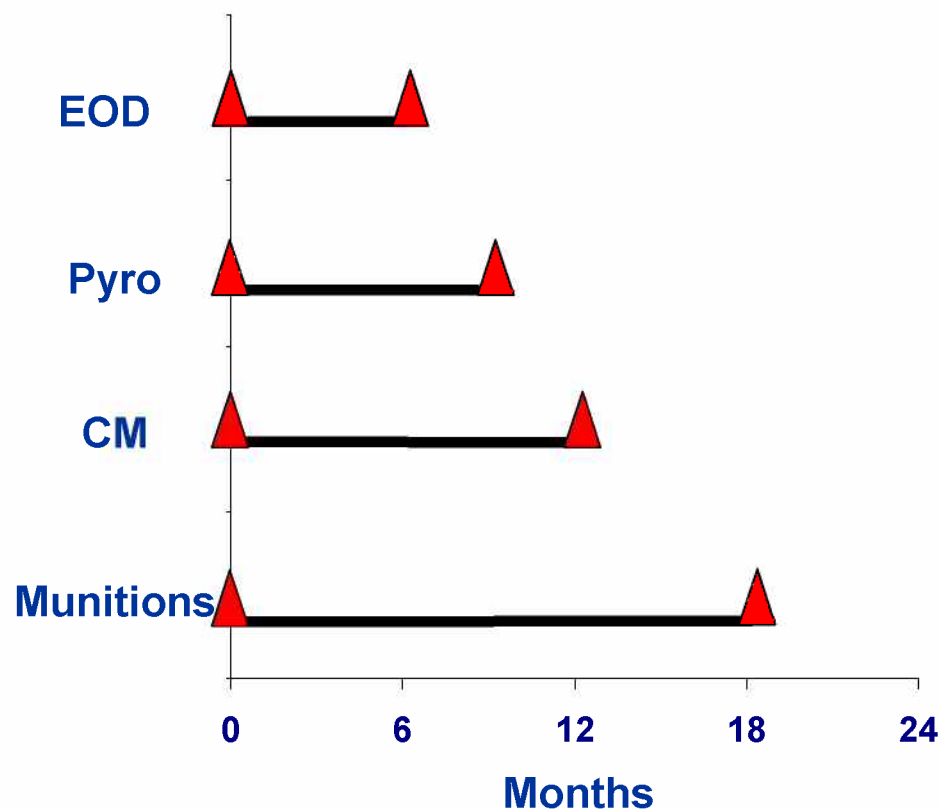
Earnings per Share



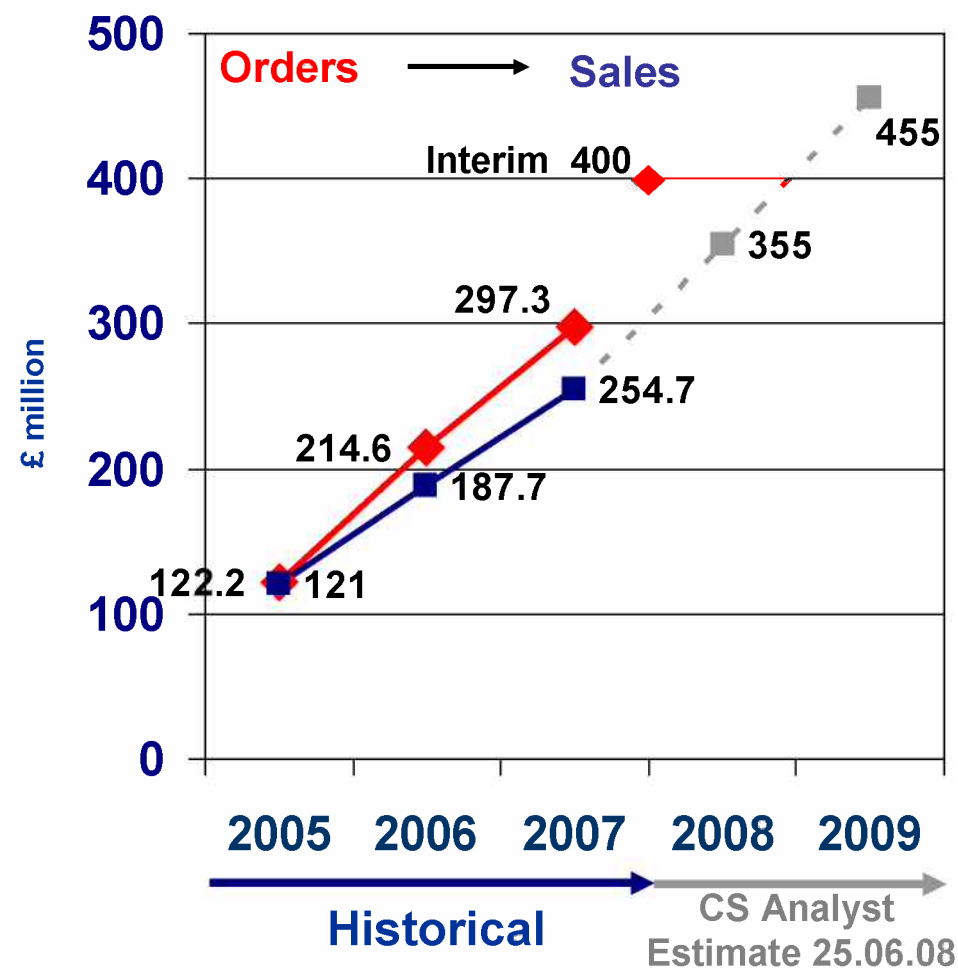
Nothing in this presentation should be construed as a profit forecast or be interpreted to mean that the future earnings per share or profits of Chemring will necessarily be greater than the historic published earnings per share.

Financial Review

Business Model – Order to Sales



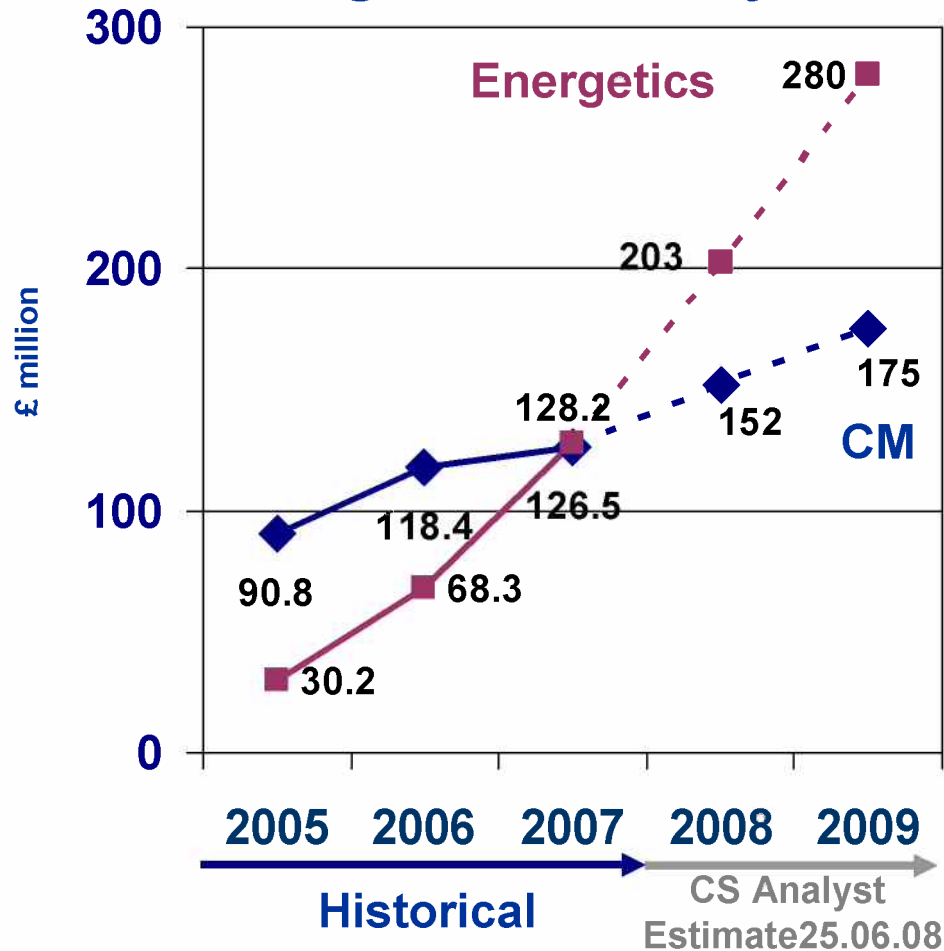
Order Book & Sales



Nothing in this presentation should be construed as a profit forecast or be interpreted to mean that the future earnings per share or profits of Chemring will necessarily be greater than the historic published earnings per share.

Financial Review

Segmental Analysis



Organic & acquisitive growth in Energetics

- Promote products to 80 countries
- Investment in new products
- Displace current incumbents
- Establish second source position
- Acquisitions may accelerate growth
 - Access to new markets
 - Access to new products

Organic growth in Countermeasures

- 55% global market share
- Technical leadership
- Investment in automation
- New joint ventures in key markets

Nothing in this presentation should be construed as a profit forecast or be interpreted to mean that the future earnings per share or profits of Chemring will necessarily be greater than the historic published earnings per share.

Financial Review

Balance Sheet – 31 October 2007 (£m)

Assets 224

Net Debt (100)

Shareholders Funds 124

■ Strong operating cash conversion

■ Strong balance sheet

➤ For acquisition & capital investment

➤ Successful US private placement in November 2007 – \$150m 10-year debt

➤ Successful £60m equity raising completed in June 2008 to fund acquisitions of Scot and MEI

➤ Committed bank facilities of £160m

| | 2005 (£m) | 2006 (£m) | 2007 (£m) | 3 yr Avg |
|-----------------|--------------|--------------|--------------|-------------|
| Operating cash | 21.1 | 45.6 | 60.6 | |
| Cash conversion | 92% | 118% | 99% | 104% |