



Growth in a Difficult Environment



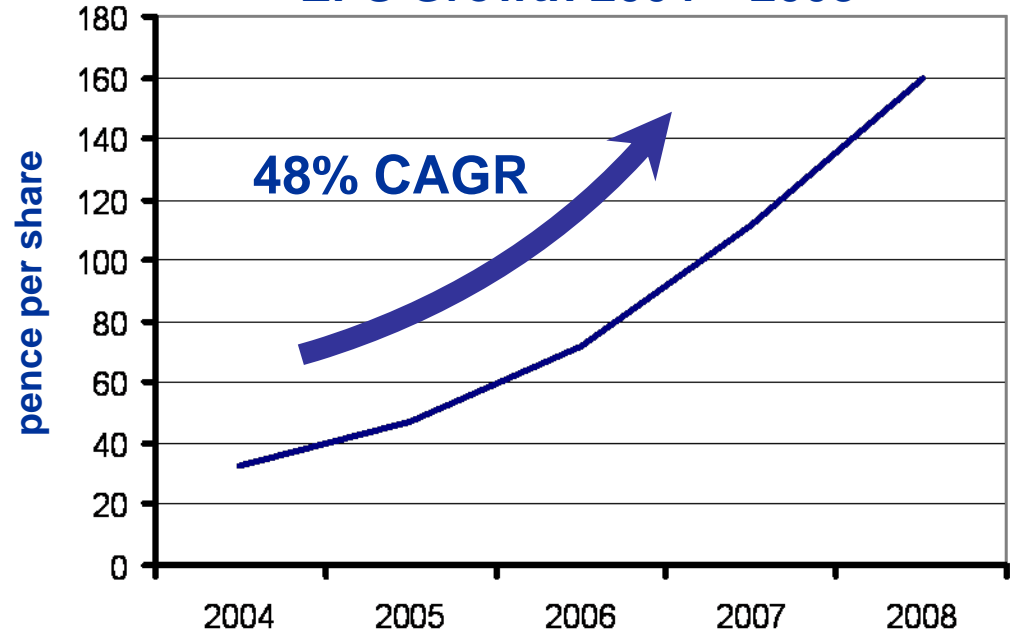
Protecting People, Platforms and Places

Chemring Group PLC



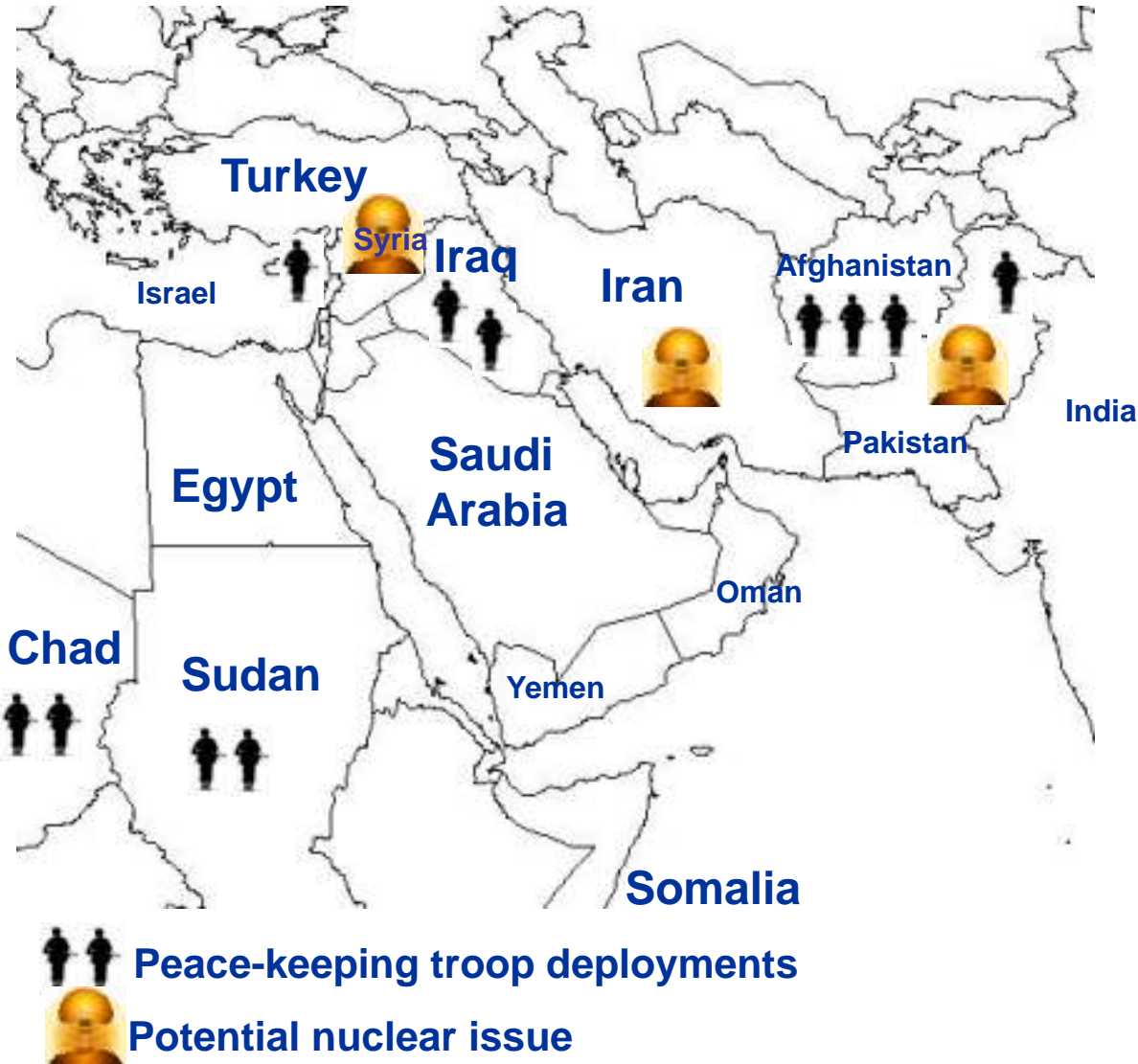
Global Market	Chemring Market Share
£1bn	14%
£2bn	c.1.5%
£10bn	c.1%
£0.5bn	50%

EPS Growth 2004 – 2008



- **2008 Revenues:** £354m
- **2008 underlying PBT:** £74m
- **3,500 employees**
- **High margin, niche growth**
- **Sales to 80 countries around the world**
- **21 facilities in 8 countries**

Middle East Instability

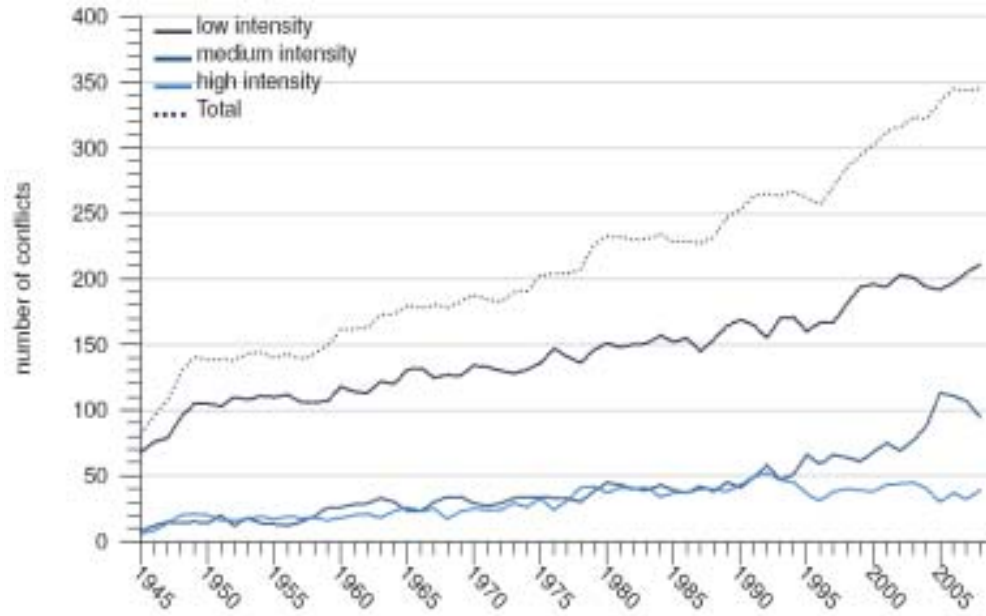


Continued Instability

- Iraq activity drawing to a close
 - UK withdrawal almost complete
 - US phased withdrawal by 2011
 - Major upgrades for Iraqi forces
- Afghanistan conflict continues at high level
 - US deployment of more troops
 - Increasing NATO assets
 - Major upgrades for Afghanistan forces
- Increase in nuclear threat to region
 - Iran developing capability
 - Increasingly unstable Pakistan
 - Syria?
- Sustained Somali civil war and increased off-shore piracy
- UN Peace-keeping deployments

World Conflicts

Global conflicts of low, medium & high intensity
1945 to 2008



World Map: High intensity conflicts
2008

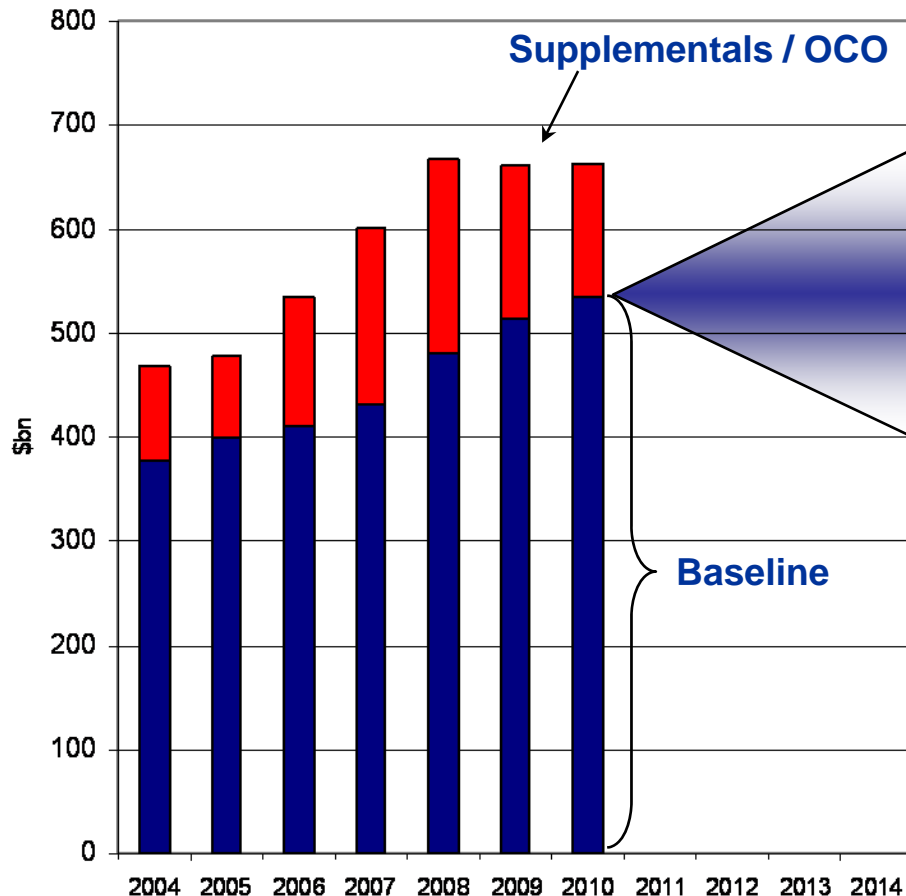


- **Sustained growth in number of conflicts**
 - *39 high intensity conflicts in 2008*
 - *Clusters in Middle East, Afghanistan / Pakistan & Central Africa,*
 - *No apparent change to upward trend since 1945*

Source: Conflict Barometer 2008, Heidelberg Institute for International Conflict Research

US Defence Budget

Total US Defence Budget



FY 2010 Budget

- **Uncertainty over future outlook – no precedent for lack of 5-year data**
- **Explicit funding for continuing Overseas Contingency Operations (OCO)**
 - *\$130bn in FY 2010*
 - *Increased presence in Afghanistan*
 - *Includes equipping national defence forces*
- **Changes to major programmes**
 - *Cancellation of VH-71 & CSAR Helicopters*
 - *Missile Defence Agency (MDA) funding cuts*
 - *Cancellation of Future Combat Systems (FCS)*
 - *Capping of C-17 and F-22 fleets*
 - *Retirement of 250 F-15 & F-16 fighters*
 - *Delay to CG-X cruiser*
 - *Increase in Special Forces*
 - *Increase capacity to sustain helicopter operations*
 - *Accelerate F-35 procurement*

Source: FY2010 Budget Request, Chemring estimates

Implications of US Defence Budget

FY10 Budget generally translates to FY11 revenues

Pyrotechnics

- Growth in one-shot devices
- Growth in pyrotechnic payloads
 - Air launched rockets
 - Artillery
- Uncertainty in training



EOD

- HMDS not yet an Army Programme of Record
- JIEDDO budget detail is not published
- Growth in Demilitarisation
- Sustained demand for Demolition Stores & Disrupters



Munitions

- Total FY10 budget at same level as FY09
- Growth in artillery & rockets
- Decline in medium calibre & tank ammunition
- Growth in Tactical missile budgets

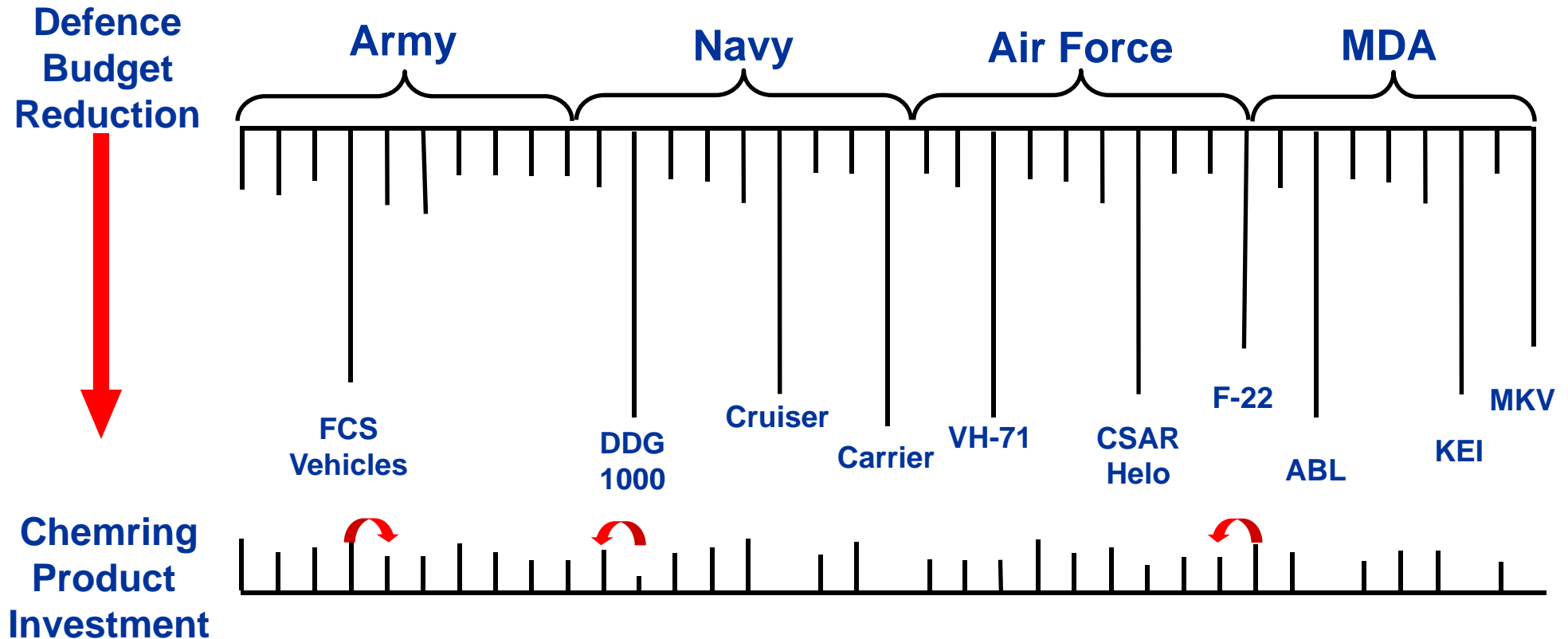


Countermeasures

- Army & Navy demand remains steady
- Air Force funds targeted at increased cost of Paveway
 - Countermeasure baseline explicitly identifies minimum training and maintenance demand
 - First visibility of operational usage from OCO funding <20% of total FY10 demand



Response to Budget Changes



Agility to re-programme product investment

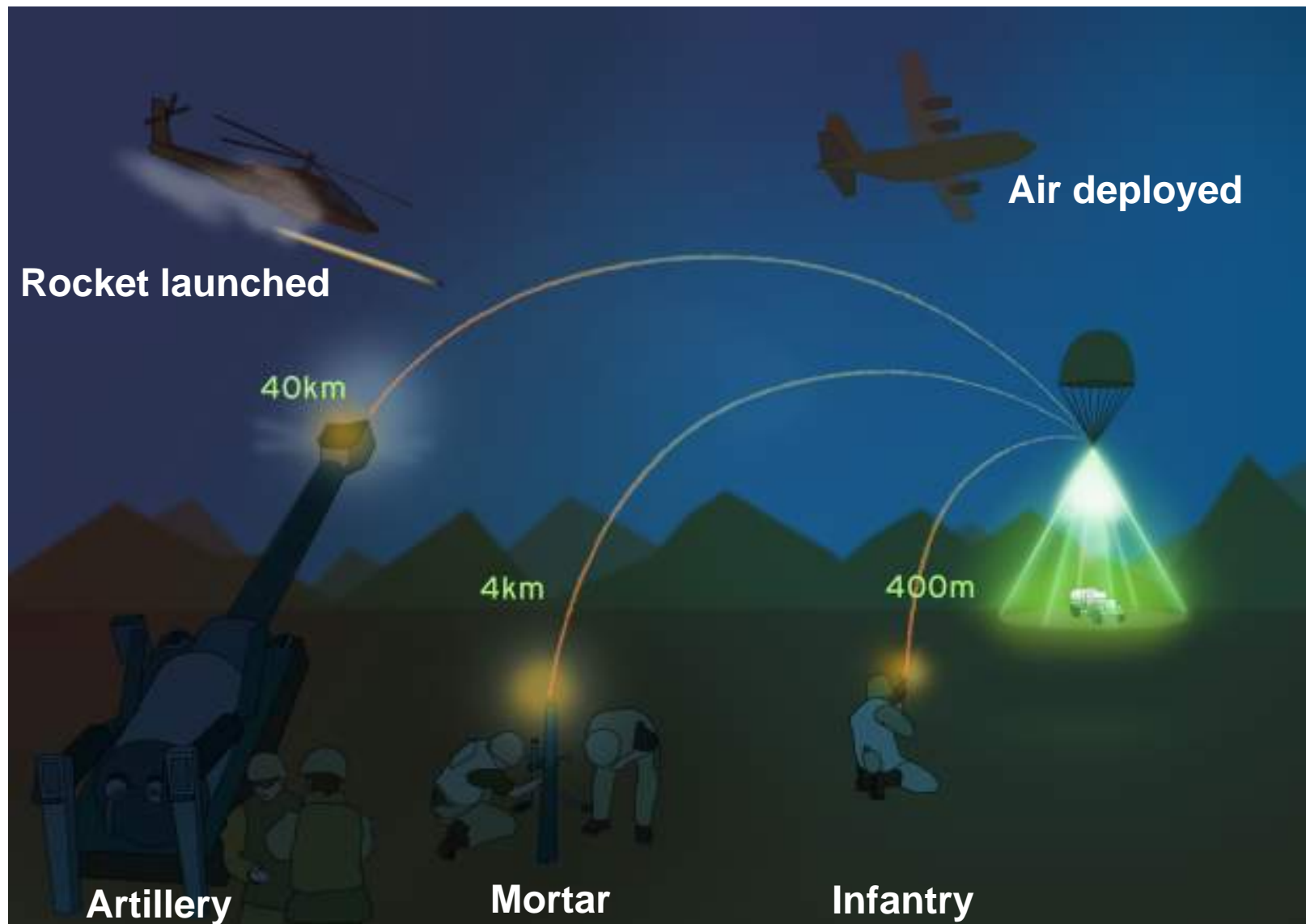
- High technical barriers to entry – safety critical components, niche capabilities and potentially dangerous materials
- Involvement across diverse range of programmes
- Short development cycles enable reactive changes to product strategies

Responsible Operation

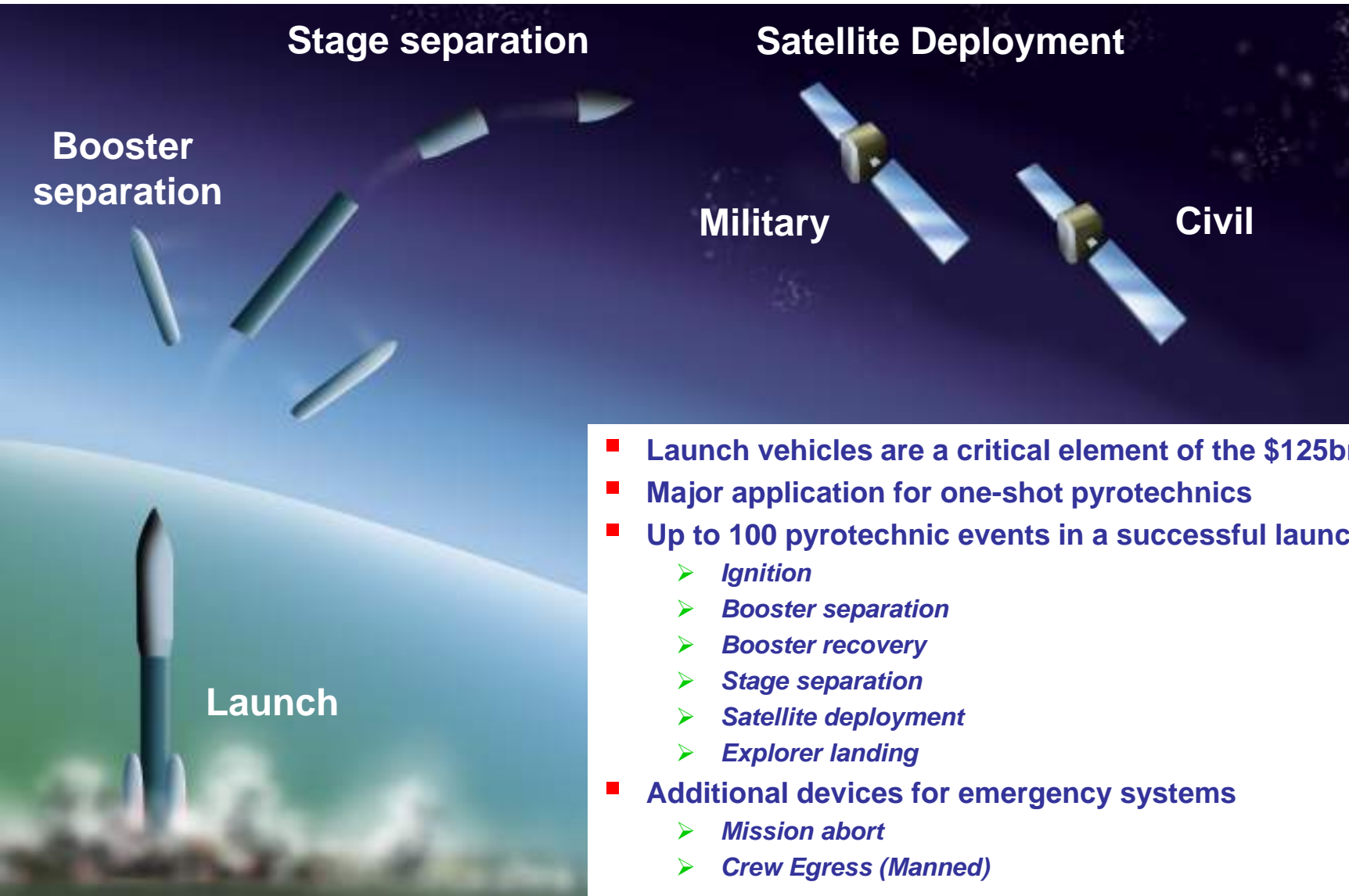


- **Primary focus on safety**
 - *Significant investment in manufacturing automation*
 - *Minimise employee exposure to hazards*
 - *Rigorous product design and test processes*
- **Manufacturing operations are the Group's major source of CO2 emissions**
- **Exploring alternative sources:**
 - *Wind-turbines – Scotland and Germany*
 - *Solar panels – Italy*
 - *Water turbines – Derby*
 - *Heat pumps – Salisbury*
- **Continued reduction in waste and other emissions**

Infra-Red Illumination Payloads



Satellite Launch



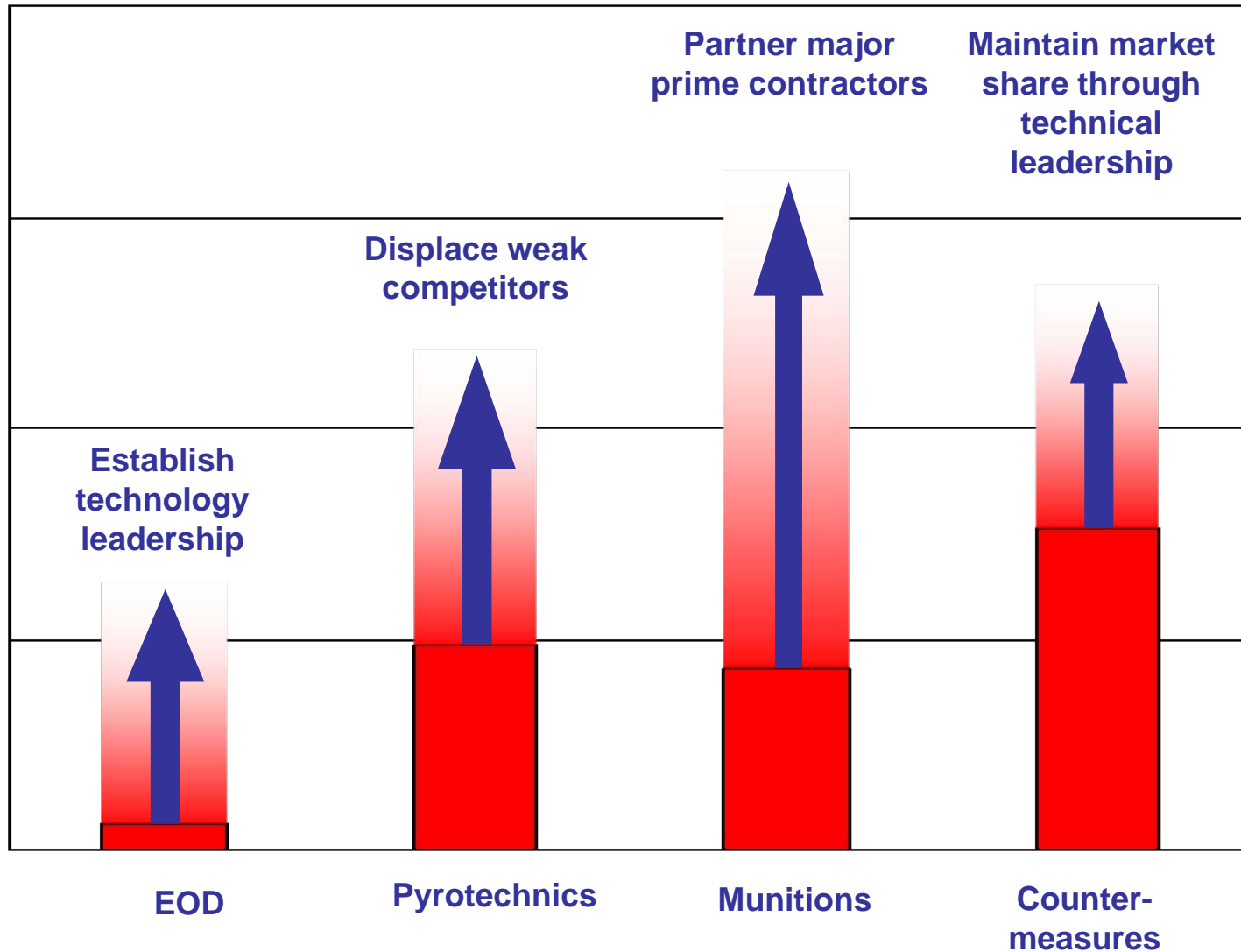
Mine Detection



CUVSS



Core Strategy



Summary

Interim Management Statement - 18 March 2009:

- “Trading in Energetics and Countermeasures for the four month period to the end of February 2009 continued to be strong:
 - *Group revenues and operating profits in excess of 50% higher than for the same period in 2008*
 - *Increase in revenue includes 21% growth from acquisitions made in the last twelve months*
- The Group’s order book currently stands at £558 million, which is 39% higher than at this time last year”

Interim Results will be presented 23 June 2009