

**This document is important and requires your immediate attention. If you are in any doubt about its contents you should consult your independent financial adviser. If you have sold or transferred all of your Chemring Group PLC ordinary shares you should send this document and all accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.**

**Dear Shareholder**

## **ANNUAL GENERAL MEETING OF CHEMRING GROUP PLC**

I am pleased to inform you that the Company's 2011 Annual Report and Accounts has now been published.

If you have requested a copy of the Company's 2011 Annual Report and Accounts, it is enclosed with this letter, together with the Notice of Annual General Meeting and any other associated documents. If you requested to receive the Annual Report and Accounts electronically or did not return the election card previously sent to you, please accept this letter as notification that the 2011 Annual Report and Accounts and associated documents have now been published on our website ([www.chemring.co.uk](http://www.chemring.co.uk)) and can be accessed via the home page and then clicking on the investors section. If you have only recently become a shareholder in Chemring Group PLC, we will write to you shortly regarding your options for shareholder communications.

This year's Annual General Meeting will be held on Wednesday 21 March 2012 at 2.30pm at Investec, 2 Gresham Street, London EC2V 7QP. The formal Notice of Meeting, together with the explanatory notes concerning each of the resolutions, is enclosed with this letter if you have elected for a hard copy, or is available on the Company's website.

### **Poll voting**

In line with growing market practice, voting at the 2012 Annual General Meeting will be conducted by way of a poll. This reflects best practice and allows those shareholders who are not able to attend the Annual General Meeting to have their votes fully recognised. Any directors appointed as proxies will cast their votes as directed by shareholders. The poll results will be published on the Company's website, [www.chemring.co.uk](http://www.chemring.co.uk), and will be notified to the UK Listing Authority as soon as practicable following the conclusion of the meeting.

### **Resolutions**

I would like to draw your attention in particular to the following resolutions:

#### **Resolution 3**

This resolution deals with the declaration of the final dividend of 10.8 pence per ordinary share proposed to be paid on 13 April 2012 (subject to shareholder approval) to shareholders on the register of members at the close of business on 23 March 2012. The final dividend is stated per ordinary share.

#### **Resolutions 4 to 11**

Resolutions 4 to 11 relate to the re-appointment and re-election of directors. In order to ensure compliance with the UK Corporate Governance Code during the financial year ending 31 October 2012, all of the directors are voluntarily submitting themselves for re-election at the Annual General Meeting and will continue to do so annually in the future. Biographical details for the directors can be found in the Notice of Meeting. As Chairman, I confirm on behalf of the Board, that each of the directors standing for re-election or re-appointment continues to demonstrate commitment to their role and to make an effective and valuable contribution to the Board. Accordingly, I have no hesitation in recommending their re-election or re-appointment to shareholders.

My fellow Board members have concluded that I also continue to demonstrate commitment to my role and to make an effective and valuable contribution to the Board, and they are therefore recommending my re-election to shareholders.

### **Resolution 15**

Resolution 15 renews the Company's existing authority to purchase its own shares in the market up to a limit of ten per cent of its ordinary share capital. We may retain these shares as treasury shares or we may decide to cancel them.

During 2011, the Board reviewed the balance sheet of the Group to determine the appropriate levels of debt and gearing for the Group in the future. A cautious view has been taken, in the light of the world's economic and financial uncertainties, against which the Board has agreed the following policy:

- We intend to maintain a prudent balance sheet, in which our net debt/EBITDA ratio is targeted to remain below 1.5 times.
- We intend to continue to invest organically in the business and in the establishment of key joint ventures over the next two to three years, in India, Saudi Arabia and Brazil.
- We will continue to search for attractive, small bolt-on acquisitions that will enhance our product and technology portfolio. Such acquisitions should exceed not only our own financial hurdles, but will also be evaluated against the potential return on investment that could be generated by the buyback of our own shares.
- We do not currently envisage any such bolt-on acquisitions in 2012, and consequently, we will consider an initial share buyback in the second half of the year.

With this investment policy, the Board aims to grow earnings and dividends per share on a sustainable long term basis.

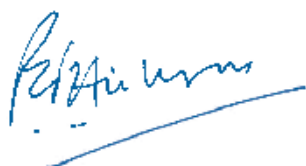
### **Recommendation**

The Board considers that all the resolutions being proposed are in the best interests of the shareholders and will promote the success of the Company, and accordingly recommends that you vote in favour of each of the resolutions set out in the Notice of Meeting, as they intend to do in respect of their own beneficial holdings amounting to 1,160,632 shares, representing 0.6% of the issued ordinary share capital of the Company.

### **Action to be taken**

If you are able to attend the meeting, we will be delighted to see you. If, however, you are not able to attend the meeting in person, your vote is still important and I would urge you, regardless of the number of shares you own, to appoint a proxy. You may complete a proxy form electronically by accessing our registrars' website at **[www.eproxyappointment.com](http://www.eproxyappointment.com)**. Alternatively, you can complete your paper proxy form and return it to the registrars, Computershare Investor Services PLC. Further details are set out in the proxy form. Please note that all proxy forms, whether completed electronically or on paper, must arrive at the registrars not later than forty-eight hours before the time appointed for holding the Annual General Meeting. However, the completion and return of a proxy form will not prevent you from attending the Annual General Meeting and voting in person, should you wish to do so.

Yours sincerely



**Peter Hickson**  
Chairman  
8 February 2012