

CHEMRING GROUP PLC
NOTICE OF ANNUAL GENERAL MEETING
17 MARCH 2017

Chemring
Group |

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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 111th Annual General Meeting of the shareholders will be held at 11.00am on 17 March 2017 at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS for the purpose of considering and, if approved, passing the following resolutions:

Ordinary resolutions

1. To receive and adopt the Company's annual accounts for the year ended 31 October 2016, together with the directors' report and the auditor's report on those accounts.
 2. To receive and approve the directors' remuneration policy, as set out on pages 66 to 72 of the directors' remuneration report contained within the Company's annual report and accounts for the year ended 31 October 2016, such directors' remuneration policy to become binding immediately after the end of the Annual General Meeting on 17 March 2017.
 3. To receive and approve the directors' remuneration report (other than the part containing the directors' remuneration policy) contained within the Company's annual report and accounts for the year ended 31 October 2016.
 4. To elect Mr Carl-Peter Forster, who retires in accordance with article 87.1 of the Company's articles of association, as a director.
 5. To elect Mr Andrew Davies, who retires in accordance with article 87.1 of the Company's articles of association, as a director.
 6. To elect Mr Daniel Dayan, who retires in accordance with article 87.1 of the Company's articles of association, as a director.
 7. To elect Mr Andrew Lewis, who retires in accordance with article 87.1 of the Company's articles of association, as a director.
 8. To re-elect Mrs Sarah Ellard as a director.
 9. To re-elect Mr Michael Flowers as a director.
 10. To re-elect Mr Nigel Young as a director.
 11. To re-appoint Deloitte LLP as the Company's auditor, to hold office from the conclusion of the Annual General Meeting on 17 March 2017 until the conclusion of the next meeting at which accounts are laid before the Company.
 12. To authorise the directors to agree Deloitte LLP's remuneration as the auditor of the Company.
 13. (a) That the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to:
 - (i) allot shares in the Company, and to grant rights to subscribe for or to convert any security into shares in the Company:
 - (A) up to an aggregate nominal amount of £930,754; and
 - (B) comprising equity securities (as defined in the Act) up to an aggregate nominal amount of £1,861,508 (including within such limit any shares issued or rights granted under paragraph (A) above) in connection with an offer by way of a rights issue;
 - (I) to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
 - (II) to people who are holders of other equity securities if this is required by the rights of those securities or, if the directors consider it necessary, as permitted by the rights of those securities;and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;
- for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company after the date on which this resolution is passed (or, if earlier, at the close of business on 17 June 2018); and
- (ii) make an offer or agreement which would or might require shares to be allotted, or rights to subscribe for or convert any security into shares to be granted, after expiry of this authority and the directors may allot shares and grant rights in pursuance of that offer or agreement as if this authority had not expired;
- (b) that subject to paragraph (c), all existing authorities given to the directors pursuant to section 551 of the Act be revoked by this resolution; and
- (c) that paragraph (b) shall be without prejudice to the continuing authority of the directors to allot shares, or grant rights to subscribe for or convert any security into shares, pursuant to an offer or agreement made by the Company before the expiry of the authority pursuant to which such offer or agreement was made.
14. That the Board be and is hereby authorised:
 - (a) to approve the Chemring Incentive Plan (the "CIP"), the principal terms of which are summarised in Appendix 1 to this notice; and
 - (b) to establish further plans based on the CIP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual and overall participation in the CIP.

NOTICE OF ANNUAL GENERAL MEETING continued

Special resolutions

15. That with effect from the end of the Annual General Meeting on 17 March 2017, the articles of association produced to the meeting and initialled for the purpose of identification by the chair of the meeting (the "New Articles") be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the Company's existing articles of association.

16. That, subject to the passing of resolution 13 in the notice of the meeting and in place of all existing powers, the directors be generally empowered pursuant to section 570 and section 573 of the Act to allot equity securities (as defined in the Act) for cash, pursuant to the authority conferred by resolution 13 in the notice of the meeting as if section 561(1) of the Act did not apply to the allotment. This power:

(a) expires (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company after the date on which this resolution is passed (or, if earlier, at the close of business on 17 June 2018), but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the directors may allot equity securities in pursuance of that offer or agreement as if this power had not expired; and

(b) shall be limited to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under resolution 13(a)(i)(B), by way of a rights issue only):

(i) to the ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to people who hold other equity securities, if this is required by the rights of those securities or, if the directors consider it necessary, as permitted by the rights of those securities,

and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(c) in the case of the authority granted under resolution 13(a)(i)(A) shall be limited to the allotment of equity securities for cash otherwise than pursuant to paragraph (b) up to an aggregate nominal amount of £139,613.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(3) of the Act as if in the first paragraph of this resolution the words 'pursuant to the authority conferred by resolution 13 in the notice of the meeting' were omitted.

17. That, subject to the passing of resolution 13 in the notice of the meeting and in addition to any power given to them pursuant to resolution 16 in the notice of the meeting, the directors be generally empowered pursuant to section 570 and section 573 of the Act to allot equity securities (as defined in the Act) for cash, pursuant to the authority conferred by resolution 13 in the notice of the meeting as if section 561(1) of the Act did not apply to the allotment. This power:

(a) expires (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company after the date on which this resolution is passed (or, if earlier, at the close of business on 17 June 2018), but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the directors may allot equity securities in pursuance of that offer or agreement as if this power had not expired; and

(b) in the case of the authority granted under resolution 13(a)(i)(A) shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £139,613 and provided that the allotment is for the purposes of financing (or refinancing, if the power is used within six months of the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-emption Rights most recently published by the Pre-emption Group prior to the date of the notice of the meeting.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(3) of the Act as if in the first paragraph of this resolution the words 'pursuant to the authority conferred by resolution 13 in the notice of the meeting' were omitted.

18. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of any of its ordinary shares in the capital of the Company ("Shares") on such terms and in such manner as the directors may from time to time determine, and where such Shares are held as treasury shares, the Company may use them for the purposes of its employee share schemes, provided that:

(a) the maximum aggregate number of Shares which may be purchased is 27,922,644;

(b) the minimum price (exclusive of expenses) which may be paid for a Share is the nominal value thereof;

(c) the maximum price (exclusive of expenses) which may be paid for a Share is the higher of:

(i) an amount equal to 105 per cent of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which such Share is contracted to be purchased; and

(ii) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share on the trading venue where the purchase is carried out, and (unless previously renewed, revoked or varied), this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 17 June 2018 (whichever is the earlier), save that the Company may make a contract to purchase Shares which would or might be executed wholly or partly after the expiry of this authority, and may make purchases of Shares pursuant to it as if this authority had not expired.

All previous unutilised authorities to make market purchases of Shares are revoked, except in relation to the purchase of Shares under a contract or contracts concluded before the date of this resolution and where such purchase has not yet been executed.

19. That the Company be and is hereby generally and unconditionally authorised, from the date of the passing of this resolution and expiring at the conclusion of the next annual general meeting of the Company, to hold general meetings (other than annual general meetings) on not less than fourteen clear days' notice.

By order of the Board

Sarah Ellard

Group Legal Director & Company Secretary

14 February 2017

Chemring Group PLC
Roke Manor
Old Salisbury Lane
Romsey
Hampshire
SO51 0ZN

NOTES ON RESOLUTIONS

Resolutions 1 to 14 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 15 to 19 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three quarters of the votes cast must be in favour of the resolution.

Resolution 1

The directors are required to present to the meeting the audited accounts and the reports of the directors and the auditor for the financial year ended 31 October 2016.

The annual report and accounts can be accessed on the Company's website (www.chemring.co.uk) or shareholders may obtain a copy by contacting the Company Secretary at the Company's registered office during usual business hours.

Resolutions 2 and 3

In accordance with the provisions of the Companies Act 2006 (the "Act"), the directors' remuneration report in the 2016 annual report and accounts contains:

- a statement by Daniel Dayan, the Chairman of the Remuneration Committee;
- the directors' remuneration policy in relation to future payments to current and former directors; and
- the annual implementation report on directors' remuneration, which details payments made to directors during the year ended 31 October 2016.

The directors' remuneration policy, which is set out on pages 66 to 72 of the directors' remuneration report in the 2016 annual report and accounts, is subject to a binding vote by shareholders at least every three years. The previous directors' remuneration policy was approved by shareholders at the Company's Annual General Meeting on 21 March 2016 but in light of changes proposed to be made to the policy (as described therein) a further shareholder vote is now required. If resolution 2 is passed, the revised policy will become binding immediately after the Annual General Meeting on 17 March 2017. Payments will continue to be made to directors in line with the existing policy until this date.

Once the revised directors' remuneration policy is approved, the Company may not make a remuneration payment to a current or prospective director or a payment for loss of office to a current or former director, unless that payment is consistent with the policy or has been approved by a shareholder resolution.

If the revised directors' remuneration policy is approved and remains unchanged, it will be valid for up to three years without new shareholder approval unless the annual implementation report on directors' remuneration (excluding the remuneration policy) is not approved by shareholders when put to an ordinary resolution prior to the expiry of the three year period. If the policy is not approved for any reason, the Company will, if and to the extent permitted by the Act, continue to make payments to directors in accordance with the existing policy and will seek shareholder approval for a further revised policy as soon as is practicable.

Resolution 3 is the ordinary resolution to approve the annual implementation report on directors' remuneration, other than the part containing the directors' remuneration policy. This resolution is an advisory vote and does not affect the future remuneration paid to any director.

Resolutions 4 to 10

In accordance with the Company's articles of association, Carl-Peter Forster, Andrew Davies, Daniel Dayan and Andrew Lewis will be retiring at the Annual General Meeting on 17 March 2017 and standing for election by shareholders as directors, following their appointment by the Board during the year.

In accordance with the Company's articles of association, all other directors are required to submit themselves for re-election every three years. However, in order to ensure compliance with the UK Corporate Governance Code, the other directors will voluntarily submit themselves for re-election at the forthcoming Annual General Meeting on 17 March 2017.

Biographical information on all of the directors is given below.

Carl-Peter Forster joined the Group as an independent non-executive director and Chairman-designate on 1 May 2016, and was appointed Chairman of the Board on 1 July 2016. He is currently Chairman of the London Taxi Company, a member of the Board of Volvo Cars Corporation, a member of the Board of Geely Automobile Holdings, and a non-executive director of IMI plc and Cosworth Ltd. Carl-Peter formerly held senior leadership positions in some of the world's largest automotive manufacturers, including BMW, General Motors and Tata Motors (including JaguarLandRover). He was previously a non-executive director of Rexam PLC and Rolls-Royce plc.

Andrew Davies was appointed as an independent non-executive director on 17 May 2016. He is currently Chief Executive of Wates Group Ltd. Andrew has a wealth of relevant sector experience, having served in senior operational and strategic roles at executive committee level at BAE Systems plc for more than fourteen years.

Daniel Dayan was appointed as an independent non-executive director and Chairman of the Remuneration Committee on 7 March 2016. He is currently Chairman and CEO of LINPAC Group, and Non-Executive Chairman of the Nonwovens Innovation and Research Institute Ltd. Daniel has held a number of senior level executive and non-executive roles within the engineering and manufacturing sector, including a six-year appointment as Chief Executive of Fiberweb plc. He was previously a non-executive director of Stobart plc and a trustee in the charity sector.

Andrew Lewis joined the Group as Group Finance Director on 9 January 2017 and was appointed to the Board on 19 January 2017. Andrew was formerly Group Finance Director of Avon Rubber p.l.c., where he also acted as Interim CEO during 2015. Prior to joining Avon, Andrew was Group Financial Controller of Rotork plc and prior to that appointment, he was a Director at PricewaterhouseCoopers in Bristol and New Zealand. He is a member of the Institute of Chartered Accountants.

Sarah Ellard was appointed as Group Legal Director on 7 October 2011, having been Group Company Secretary since 1998. Prior to joining the Group, Sarah trained and worked at Ernst & Young LLP. She is a Fellow of the Institute of Chartered Secretaries and Administrators.

Michael Flowers was appointed to the Board as Group Chief Executive on 24 June 2014, having previously been Group Director - Munitions, with responsibility for running and subsequently disposing of the Group's European munitions businesses. Michael joined Chemring in 2006, and ran the Group's Australian operations for seven years. Prior to joining Chemring, Michael worked for BAE Systems in programme management roles, principally in the weapons systems and electronic warfare domains. Prior to his time with BAE Systems, Michael served as an officer in the Australian Army for twenty two years, and was a graduate of the Australian Command and Staff College and the British Royal Military College of Science.

Nigel Young became an independent non-executive director on 1 May 2013, following his appointment as Interim Chief Financial Officer in August 2012. Nigel is Senior Independent Director and Chairman of the Audit Committee. He is a Fellow of the Institute of Chartered Accountants. Previous appointments include Finance Director of ALVIS PLC, First Technology PLC, Babcock International PLC and Morgan Advanced Materials PLC. Nigel has also undertaken a number of interim finance roles, including a role with McBride PLC. Currently a non-executive director and Chairman of P2i Limited, a provider of liquid repellent nanotechnology, and a Trustee and Board member of certain development charities.

Resolutions 11 and 12

These resolutions propose the re-appointment of the auditor, and authorise the directors, in accordance with standard practice, to agree the remuneration to be paid to the auditor.

Resolution 13

The directors of the Company may only allot shares if authorised to do so by the shareholders in general meeting. This resolution, if passed, will grant new authority under section 551 of the Act and will give the directors flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new ordinary shares. Paragraph (A) of the resolution authorises the directors to allot ordinary shares, and grant rights to subscribe for, or convert any security into, shares, up to an aggregate nominal amount of £930,754, which represents approximately one third of the issued ordinary share capital of the Company (exclusive of treasury shares) as at 1 February 2017 (being the latest practicable date prior to the publication of this notice). Paragraph (B) of the resolution authorises the directors to allot, including the shares referred to in paragraph (A) of the resolution, further of the Company's shares, and grant rights to subscribe for, or convert any security into, shares, up to an aggregate nominal amount of £1,861,508 in connection with a pre-emptive offer to existing shareholders by way of a rights issue (with exclusions to deal with fractional entitlements to shares and overseas shareholders to whom the rights issue cannot be made due to legal and practical problems). This limit is in line with the latest guidelines issued by the Investment Association.

The directors have no present intention of exercising this authority except for the purpose of allotting shares under the terms of the Company's employee share schemes. The authority will expire at the conclusion of the next annual general meeting or on 17 June 2018 (whichever is the earlier).

The Company held 2,198,814 ordinary shares in treasury as at 1 February 2017. This amount represents 0.79% of the Company's issued ordinary share capital (exclusive of treasury shares) as at that date.

Resolution 14

Resolution 14 is seeking the authority from shareholders to approve the Chemring Incentive Plan (the "CIP"). More detail regarding the rationale for this proposal is set out in the directors' remuneration report in the 2016 annual report and accounts.

It is intended that the CIP will be the Company's main incentive plan going forwards, combining both rigorous annual performance measures and long-term deferral of substantial elements of the annual incentive outturns into Chemring shares. The CIP will replace both the Company's current annual bonus plan and its Performance Share Plan 2016 for executive directors and senior management.

A summary of the principal terms of the CIP is set out at Appendix 1 to this notice.

Resolution 15

It is proposed in resolution 15 to adopt new articles of association for the Company (the "New Articles") in order to update the existing articles of association to reflect developments in practice, and to provide clarification and additional flexibility. Due to the extent of the changes, the Company is proposing the adoption of the New Articles rather than amendments to the current articles of association.

We have summarised in Appendix 2 to this notice those changes introduced in the New Articles which we consider will be of most interest to shareholders. Other changes, which are of a minor, technical or clarifying nature, or conform the language of the New Articles with that used in the model articles for public companies, have not been noted in Appendix 2. A copy of the New Articles and a copy of the existing articles are available for inspection, as noted on page 10 of this document.

Resolutions 16 and 17

If the directors wish to allot shares, or grant rights to subscribe for, or convert securities into, shares, or sell treasury shares for cash (other than pursuant to an employee share scheme), they must first offer them to existing shareholders in proportion to their holdings. There may be occasions when the directors need the flexibility to finance business opportunities by allotting shares without a pre-emptive offer to existing shareholders, and this can be done if the shareholders have first given a limited waiver of their pre-emption rights.

Resolution 16 and resolution 17 ask shareholders to grant this limited waiver. The resolutions will be proposed as special resolutions.

Resolution 16 contains a two-part waiver. The first is limited to the allotment of shares for cash up to an aggregate nominal value of £139,613 (which includes the sale on a non-pre-emptive basis of any shares held in treasury), which represents approximately 5 per cent of the issued ordinary share capital of the Company (exclusive of treasury shares) as at 1 February 2017 (being the latest practicable date prior to the publication of this notice), without having to first offer them to shareholders in proportion to their existing holdings. The second is limited to the allotment of shares for cash in connection with a rights issue, to allow the directors to make appropriate exclusions and other arrangements to resolve legal or practical problems which, for example, might arise in relation to overseas shareholders.

NOTES ON RESOLUTIONS continued

The waiver granted by resolution 17 is in addition to the waiver granted by resolution 16. It is limited to the allotment of shares for cash up to an aggregate nominal value of £139,613 (which includes the sale on a non-pre-emptive basis of any shares held in treasury), which represents approximately 5 per cent of the issued ordinary share capital of the Company (exclusive of treasury shares) as at 1 February 2017 (being the latest practicable date prior to the publication of this notice), without having to first offer them to shareholders in proportion to their existing holdings. This further waiver may only be used for an allotment of shares for cash for the purposes of financing (or refinancing, if the waiver is used within six months of the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Pre-emption Group's March 2015 Statement of Principles.

The authority will expire at the conclusion of the next annual general meeting or on 17 June 2018 (whichever is the earlier). It is the directors' intention to review this authority every year. There are no present plans to exercise this authority.

Resolution 18

If passed, this resolution will give the Company authority to purchase its own shares in the market up to a limit of 10 per cent of the Company's issued ordinary share capital. The maximum and minimum prices are stated in the resolution. The directors believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares. In the event that shares are purchased, they will either be cancelled (and the number of shares in issue will be reduced accordingly) or retained as treasury shares, as an alternative to cancelling them.

Shares repurchased as treasury shares will be held with a view to possible resale at a future date, rather than having to cancel them. This gives the Company the ability to reissue treasury shares quickly and cost effectively, and provides the Company with additional flexibility in the management of its capital base. Any issues of treasury shares for the purposes of the Company's employee share schemes will be made within the 10 per cent anti-dilution limit set by the Investment Association.

The directors have no present intention of making such purchases and will only exercise this authority if they are satisfied that a purchase can be expected to result in an increase in earnings per share and will be in the interests of shareholders generally.

As at 1 February 2017, there were options over 1,618,727 ordinary shares in the capital of the Company which represents 0.58% of the issued ordinary share capital (excluding treasury shares) at that date. If the authority to purchase ordinary shares was exercised in full, these options would represent 0.64% of the issued ordinary share capital (excluding treasury shares).

Resolution 19

The Act provides that general meetings of a company may be held on not less than fourteen clear days' notice in writing. However, the Shareholder Rights Directive (Directive 2007/36/EC), which came into force on 1 August 2009, made it a requirement for a company whose shares are traded on the London Stock Exchange (among other markets), to seek approval each year from its shareholders if any general meeting is to be held on less than twenty one days' notice in writing. Resolution 19 seeks such approval. It will only be effective until the conclusion of the next annual general meeting, when the Company may propose a similar resolution. It is intended that the shorter notice period would not be used as a matter of routine for such meetings but only where the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole.

SHAREHOLDER NOTES

1. A shareholder 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 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)370 889 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.
2. 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 11.00am on 15 March 2017. Alternatively, you may register your vote electronically by accessing the registrar's website at www.investorcentre.co.uk/eproxy. In order to be valid, electronic votes must also be registered not later than 11.00am on 15 March 2017 or not later than forty-eight hours before the time appointed for any adjourned meeting.
3. 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.
4. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers, provided that if two or more representatives purport to vote in respect of the same shares (i) if they purport to exercise the power in the same way as each other, the power is treated as exercised that way; and (ii) in other cases, the power is treated as not exercised.
5. 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 Annual General 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.
6. 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.
7. 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.
8. Only persons entered in the register of members of the Company at 6.00pm on 15 March 2017 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.
9. As at 1 February 2017 (being the latest practicable day prior to publication of this notice), the Company's issued share capital (excluding treasury shares) consisted of 279,226,442 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 represents 0.79 per cent of the Company's existing issued ordinary share capital (excluding treasury shares) as at 1 February 2017 (being the latest practicable day prior to publication of this notice)), which leaves voting rights over 279,226,442 ordinary shares.
10. It is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting or any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company may not require the members requesting that any such statement be published on its website to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes that statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on its website.

SHAREHOLDER NOTES continued

11. Copies of the following documents are available for inspection at the registered office of the Company during normal business hours every business day, and will also be available at the place of the Annual General Meeting for one hour prior to and until the close of the meeting:

- (a) the rules of the Chemring Incentive Plan proposed by resolution 14;
- (b) the current articles of association of the Company;
- (c) the New Articles proposed by resolution 15; and
- (d) all service contracts or letters of appointment between the Company and its directors.

A copy of the rules of the Chemring Incentive Plan will also be available for inspection at these times at the offices of FIT Remuneration Consultations LLP, 5 Fitzhardinge Street, London W1H 6ED from the date of this notice during normal business hours on every business day until the Annual General Meeting is concluded or adjourned. A copy of the current articles of association and the New Articles will be available for inspection at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS during the same period.

12. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found on the Company's website (www.chemring.co.uk).
13. As soon as practicable following the Annual General Meeting, the results of the voting will be announced via a regulatory information service and also placed on the Company's website (www.chemring.co.uk).

APPENDIX 1

Summary of the principal terms of the Chemring Incentive Plan (the “CIP”)

Operation

The Remuneration Committee of the Board of directors of the Company (the “Committee”) will supervise the operation of the CIP.

Eligibility

Any employee (including an executive director) of the Company and any of its subsidiaries will be eligible to participate in the CIP at the discretion of the Committee.

Operation of the CIP

For any financial year:

- performance measures and targets will be set at the beginning of the financial year, the achievement of which will be measured at the end of the relevant year to determine the size of the award made under the CIP (the “CIP Award”);
- for the 2017 performance year, the following performance measures and weightings will be used for Chemring’s executive directors:
 - underlying EPS - 35%
 - net cashflow from operating activities - 30%
 - return on capital employed - 25%
 - personal/strategic objectives - 10%;
- in addition, the Committee will have the overriding discretion to adjust CIP Awards if it believes the levels calculated via a formulaic assessment of performance against the targets do not reflect shareholders’ experience over the year;
- different targets and weightings can be employed for subsequent awards made to the executive directors based on business priorities. However, no more than 10% of any award made to the executive directors can be allocated to the personal/strategic element;
- the maximum CIP Award for any financial year will also be determined at the commencement of the year. For executive directors this is 250% of base salary in any year. This amount will be as stated in the approved directors’ remuneration policy from time-to-time;
- following the end of the financial year, the size of CIP Awards will be calculated by reference to the performance measures and targets. For executive directors for the 2017 performance year:
 - 30% of any CIP Award will be paid in cash (a “Cash Award”, maximum 75% of base salary); and
 - 70% of any CIP Award will be deferred into an award of Chemring shares (“Deferred Awards” - see further below);
 - changes to these proportions would require a new directors’ remuneration policy to be approved by the Company’s shareholders in a general meeting;
- no element of any CIP Award (either Cash Award or Deferred Award) under the CIP will constitute pensionable remuneration.

Grant of Deferred Awards

The Committee will grant Deferred Awards which represent part of the overall CIP Award as described above.

The Committee may normally grant Deferred Awards within the period of 42 days following the Company’s announcement of its results for any period. The Committee may also grant Deferred Awards within six weeks of the approval of the CIP by shareholders or when there are exceptional circumstances which the Committee considers justifies the granting of Deferred Awards.

No Deferred Awards will be granted after 16 March 2027, being ten years after the 2017 Annual General Meeting.

No payment will be required for the grant of a Deferred Award. Deferred Awards are not transferable (other than to the participant’s personal representatives in the event of death).

Overall CIP limits

The CIP may operate over new issue Shares, treasury Shares or Shares purchased in the market.

The Company may not issue (or have the possibility to issue) more than 10% of the issued ordinary share capital of the Company in respect of any share-based awards made in any period of ten years under the CIP or any other employee share plan adopted by the Company. In addition, a similar limit in respect of 5% of the issued ordinary share capital applies to awards made under executive share plans (including the CIP) in any ten year period.

Treasury Shares will count as new issue Shares for the purposes of this limit but they will also cease to count towards this limit if institutional investor bodies decide that they need not count.

Vesting of Deferred Awards, underpin conditions and holding periods

Deferred Awards will normally vest following the third anniversary of grant and provided the participant is still a director or employee in the Company’s group.

However:

- the number of Shares subject to vested Deferred Awards will be reduced at the three year vesting date if the Committee determines that an “underpin” performance condition has not been satisfied. For the first operation of the CIP in 2017, the underpin will require that Chemring’s underlying EPS grows in real terms over the three year deferral period (i.e. comparing the result for 2017 with the result for 2020). If underlying EPS reduces in real terms, the Committee will reduce the award (potentially down to zero);
- a Deferred Award can be granted on the basis that, following the third anniversary of grant, the award may not be exercised in respect of some or all of the performance-vested shares for a further holding period. Awards made to executive directors from the 2017 Annual General Meeting will be subject to an additional holding period of two years following the initial three year vesting period.

APPENDIX 1 continued

Leaving employment

Treatment of right to receive a CIP Award

Other than in certain “good leaver” circumstances (including, but not limited to, redundancy or ill-health), the right to receive a CIP Award lapses unless the individual remains employed and is not under notice at the award date (i.e. the date following the relevant year end when performance against the targets is assessed and the size of the CIP Award is determined). Any CIP Award made to a “good leaver” would be based on an assessment of their individual and the Company’s performance over the year, and may be pro-rated for the proportion of the year worked. The extent to which any CIP Award is paid as a Cash Award and/or a Deferred Award (and the terms of any such deferral) will be determined by the Committee.

Treatment of Deferred Awards

As a general rule, a Deferred Award will lapse upon a participant leaving the employment of the Company’s group before the three-year vesting date. However, if before the vesting of an award a participant ceases to be a director or employee within the Company’s group by reason of death, disability, ill-health, injury, sale or transfer of their employing company or business out of the Company’s group, or in other circumstances at the discretion of the Committee, then the Deferred Award will vest on the normal vesting date (i.e. the third anniversary of the date of grant).

The Committee may, at its discretion, permit or require Deferred Awards to vest at the time of cessation of employment, and this treatment will normally apply in cases where the participant dies.

In these circumstances, the Committee will determine whether any holding period should continue to apply.

In either case, vesting of Deferred Awards will be subject to the extent to which the Committee considers the underpin performance condition satisfied, and the number of shares which vest will also be subject to a pro-rata reduction in the size of the award for the time that has elapsed up to the date of cessation compared to the original three-year vesting period, unless the Committee determines that it would be inappropriate to apply a pro-rata reduction in the particular circumstances.

Deferred Awards for which the underpin condition has been satisfied and which are subject to a holding period will not normally be forfeited on a termination during the holding period, and the holding period will continue to apply to such awards (although the Committee may release awards early from the holding period in appropriate cases).

Corporate events

Treatment of right to receive a CIP Award

On a change in control of Chemring during the year in which performance is assessed to determine the size of the CIP Award, the Committee will determine the treatment of rights to receive any CIP Award relating to that year, having regard to individual and/or Company performance over the relevant portion of the year and the portion of the year that had elapsed up to the change of control.

Treatment of Deferred Awards

In the event of a change of control of the Company, all unvested Deferred Awards will vest at the time of the event. However, the Committee must also be satisfied that the underpin condition can be regarded as achieved at that time. The Deferred Awards would also normally be pro-rated to reflect the shorter than normal period of time between the date of the award and the time of vesting. The Committee can decide not to pro-rate awards if it regards it as inappropriate to apply a pro-rata reduction in the particular circumstances.

In the event of an internal corporate reorganisation, awards will be replaced by equivalent new awards over shares in a new holding company, unless the Committee decides that awards should vest on the same basis as described above. The Committee can also enforce a rollover of awards on a takeover or similar event if the Committee considers this appropriate and equivalent terms for Deferred Awards can be agreed with the acquiring entity.

Any Shares vesting as the result of a change of control of the Company will not be subject to a holding period.

Participants’ rights

Deferred Awards will not confer any shareholder rights on participants until the awards have vested and the participants have received their Shares.

When awards vest, Participants may receive a payment representing the value of dividends in the period until vesting (which will include any holding period). This payment may be in the form of cash or made as additional vesting Shares.

Rights attaching to Shares

Any Shares allotted when an award vests will rank equally with all other Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of capital

In the event of any variation of the Company’s share capital, or in the event of a demerger, payment of a special dividend or other similar event which materially affects the market price of the Shares, the Committee may make such adjustments as it considers appropriate to the number of Shares subject to a Deferred Award.

Malus/Clawback

The Committee retains a power to reduce the potential vesting of unvested awards (including to zero) (often referred to as malus) or to require recovery of amounts of value (often referred to as clawback) if it considers it appropriate to do so. The Committee may choose to exercise this power where there has been:

- a material misstatement of financial results for any period;
- an error or the use of inaccurate or misleading information in assessing the performance measures for an annual bonus outturn; or
- action or conduct by an individual which the Committee considers to be gross misconduct.

Alterations to the CIP

The Committee may, at any time, amend the provisions of the CIP in any respect, provided that the prior approval of shareholders must be obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, the overall limits on the issue of Shares or the transfer of Shares held in treasury, the basis for determining a participant's entitlement to an award and the rights attaching to an award, the adjustment of awards on a variation of capital or similar event or the rule relating to alterations to the CIP rules.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the CIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group.

Overseas plans

The Board may at any time without further shareholder formality establish further plans in overseas territories, any such plan to be similar to the CIP, but modified to take account of local tax, exchange control or securities laws, provided that any Shares made available under such further plans are treated as counting against the limits on individual and overall participation in the CIP.

APPENDIX 2

Summary of material changes in the proposed new articles of association

It is proposed that the Company adopt new articles of association (the “New Articles”) in order to update the existing articles of association (the “Existing Articles”) principally to reflect developments in market practice and to provide clarification and additional flexibility on certain matters. We have summarised here those changes introduced in the New Articles which we consider will be of most interest to shareholders. Other changes, which are of a minor, technical or clarifying nature, or conform the language of the New Articles with that used in the model articles for public companies, have not been noted.

Articles that duplicate statutory provisions

Certain provisions in the Existing Articles that replicate requirements contained in the Companies Act 2006 (the “Act”) have been removed or amended as appropriate. For example, the article in the Existing Articles which requires a notice of general meeting to specify that a member has the right to appoint a proxy to attend and vote at the meeting has been removed because the Act requires this.

Bearer shares

All of the provisions in the Existing Articles relating to bearer shares, that is shares represented by share warrants to bearer, have been deleted in the New Articles. These provisions are no longer required following the abolishment of bearer shares by the UK Government in May 2015.

Increase in maximum aggregate remuneration for non-executive directors

The New Articles increase the maximum limit of fees for non-executive directors (other than in respect of additional services) from £500,000 per annum (or such higher figure as may be approved by ordinary resolution) in the Existing Articles to £750,000 per annum (or such higher figure as may be approved by ordinary resolution). The proposed new limit is sought to create additional flexibility to allow the Board to adjust the ordinary remuneration of the non-executive directors and to consider the appointment of additional non-executive directors. The Board has no current plans to change its approach to the fees paid to non-executive directors and any such fees must in any event be in accordance with the Company's remuneration policy as approved by shareholders.

Director retirement / re-election

The New Articles update the Existing Articles to reflect the Company's established practice, which is in line with the provisions of the UK Corporate Governance Code, that all of the Company's directors automatically retire from office at each annual general meeting and each director wishing to serve again shall submit himself or herself for re-election. The New Articles also include provisions to enable the Company to continue to function in circumstances where an insufficient number of directors are elected or re-elected thereby leaving the number of directors below the minimum fixed by the New Articles. In such circumstances, the provisions of the New Articles enable any retiring directors who stood for re-appointment at that meeting to be deemed to have been re-appointed as directors and remain in office but each such director may only act for the limited purposes of filling vacancies, convening general meetings of the Company or to perform such duties as are appropriate to maintain the Company as a going concern and to comply with the Company's legal and regulatory obligations.

The New Articles remove the provisions that state a director is automatically required to retire when reaching the age of 70 in response to developments in age discrimination legislation. This also reflects the position in the Act's model articles for public companies. The New Articles also remove the provisions that state a director's appointment may be terminated in circumstances where the director has been suffering mental ill health or a court order has been made concerning a mental disorder for his detention or for the appointment of a guardian or other person to exercise powers with respect to his property or affairs in response to developments in mental health legislation. This also reflects the position in the Act's model articles for public companies.

Dividend payment provisions

The New Articles provide the Company with additional flexibility to prescribe the manner in which dividends are paid. Currently, the Company pays dividends by electronic payment and cheque. The use of cheques has reduced in recent years and there has been significant focus on the development of new payment methods, which could improve the security of payments to members and reduce costs. Although the Existing Articles permit the payment of dividends by electronic means, the New Articles allow the directors to determine how dividends are paid to members, which method shall be the default method for paying dividends and whether members may (or may not) make an election for a distribution channel other than the default. It is not the Board's intention to change the current methods of payment at this time. However, it is important that the Company is able to cater for new developments and changes in practice, including considering the efficiency and costs saving that would flow from a change to electronic only payment.

President

The New Articles remove the provisions in the Existing Articles relating to the power of the Board to appoint a president, as such provisions are no longer relevant for the conduct and operation of the Board or the Company.

Notices and communications

The New Articles contain provisions which specifically provide for service of notice in the event of a suspension or curtailment of postal services in the United Kingdom. The Company is permitted in such circumstances to serve notice of the general meeting by advertisement in at least one national newspaper in the United Kingdom, provided that the Company sends a confirmatory hard copy notice if the postal service is available again within seven days of the meeting. The New Articles provide that shareholders who provide the Company with an address within an EEA State shall be entitled to have documents or information sent to them at that address but otherwise no other shareholders shall be entitled to receive any document or information from the Company. The Existing Articles restricted this to an address within the United Kingdom and the change is designed to ensure that the Company provides equal treatment to shareholders in the same position. The New Articles also provide minor clarifications in relation to the method and receipt of notices and how members and persons entitled by transmission to a share can communicate with the Company.

Shareholders' meetings

A number of technical amendments have been made to the provisions relating to calling and attending shareholder meetings. The New Articles contain provisions which allow the directors to put in place arrangements both before and during any general meeting which they consider to be appropriate for the proper and orderly conduct of the general meeting. The New Articles further provide that the Board can make arrangements for persons entitled to attend a general meeting to be able to view and hear the proceedings of the general meeting and to speak at the meeting by attending at a venue anywhere in the world not being a satellite meeting place. The New Articles further provide that if there are not sufficient directors to form a quorum in order to call a general meeting, any director may call a general meeting and where no director is willing to do so, any two members of the Company may summon a meeting for the purposes of appointing one or more directors.

Destruction of documents

The New Articles update the relevant articles in the Existing Articles that relate to the destruction of documents. Changes include set time periods during which paid dividend warrants and cheques and proxy appointments are kept before being destroyed. In relation to proxy appointments, the duration depends on whether the proxy appointment is used for the purposes of a poll, in which case it is to be kept for one year from the date of use, or if not used for the purposes of a poll, for one month from the end of the meeting to which it relates. Dividend warrants and cheques are to be kept for one year from the date of actual payment.

