

CHEMRING GROUP PLC**ACQUISITION OF THE ALLIED DEFENSE GROUP, INC.**

Chemring Group PLC (“Chemring” or “the Group”) announces that it has entered into a conditional agreement to acquire the entire issued stock capital of The Allied Defense Group, Inc. (“ADG”), a US public company traded on the NYSE AMEX, for a cash consideration of \$7.25 per share equating to \$59 million (£36 million).

Description of the business and reasons for the acquisition

ADG, which is headquartered in Virginia, USA, has two principal operating subsidiaries - Mecar S.A., based in Nivelles, Belgium, and Mecar USA, Inc., based in Marshall, Texas. Mecar S.A. is a niche manufacturer of medium and large calibre ammunition, particularly for modern, light armoured vehicles (“LAVs”). Mecar USA provides load, assemble and pack and procurement services for the US Government and prime contractors.

In the year ended 31 December 2008, ADG reported an audited operating profit, before non-recurring head office costs, of \$9.7 million (£6.0 million) on revenue of \$144 million (£88 million). Gross assets as at that date were \$104 million (£64 million). ADG’s unaudited revenue for the nine months to 30 September 2009 was \$115 million (unaudited nine months to 30 September 2008: \$116 million). The acquisition is expected to enhance Chemring’s earnings in the first full financial year post-completion.*

The acquisition of ADG brings to Chemring complementary markets, products and technologies. ADG has a strong presence in the Middle East, complementing Chemring’s current emphasis on NATO customers. As a prime contractor, ADG’s focus on ammunition for LAVs fits well with Chemring’s leading position in naval ammunition. Finally, the acquisition of ADG creates an internal customer for Chemring’s propellants, explosives and fuzes, whilst its precision machining capacity should be able to supply a growing Group requirement for metal parts.

Principal terms of the acquisition

The cash consideration of \$59 million (£36 million) will be funded from the proceeds of the private placement of \$280 million of fixed interest loan notes completed by the Group in November 2009.

The net debt of ADG assumed by Chemring on completion of the acquisition will be negligible. However, costs of approximately \$5 million (£3 million) will be incurred in closing the ADG head office in the USA, and short-term investment in working capital in the region of \$15 million (£9 million) will be required. This, therefore, produces an overall enterprise value for ADG of approximately \$79 million (£48 million).

Completion, which is anticipated within ninety days, is conditional upon, *inter alia*, US regulatory and ADG shareholder approvals.

Commenting on the acquisition, David Price, Chief Executive of Chemring, said:

“The acquisition of The Allied Defense Group will significantly enhance our business within the global ammunition and ammunition-related service markets. It provides a complementary range of products and manufacturing technologies, and increases the strength of our product engineering capabilities. I am confident that the combined business will provide a strong platform for growth and create a world leader in these markets.”

** This statement should not be taken to mean that the earnings per share of Chemring will necessarily match or exceed the historical reported earnings per share of Chemring and no forecast is intended or implied.*

For further information:

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