

## **Rheinmetall intends to take a stake in South Africa's Denel Munitions**

Germany's Rheinmetall Group today (8 February) signed an agreement with Denel (Pty) Ltd, indicating its intention to take a majority equity stake in Denel Munitions. The agreement was signed in Pretoria by Mr Armin Papperger, President Rheinmetall Waffe Munition and Denel's Group Executive, Ms Lana Kinley.

The Düsseldorf-based Rheinmetall Group is currently negotiating with the Denel Group for an interest in Denel Munitions, a business division of Denel located in the Western Cape and North West province (Potchefstroom).

As part of continuing moves to internationalise its defence technology operations, Rheinmetall plans to take a 51% stake in the South African munitions entity. The agreement signed today is subject to approval from the competition authorities and still tied to various suspensive conditions that need be resolved before the transaction is finally concluded.

In embarking on this planned buyout, Rheinmetall wishes to expand its market presence and highlight its role as a leading supplier of systems and equipment for ground forces.

"The product ranges and market penetration of the two companies complement each other perfectly. With Denel Munitions we want to expand our core business, as well as penetrate new markets with major strategic potential", declares Klaus Eberhardt, Chairman of the Executive Board of Rheinmetall AG.

Rheinmetall is a premium supplier of ammunition for fighting vehicles and infantry weapons as well as propellant systems for large-calibre ammunition. Denel Munitions possesses special expertise in artillery and mortar systems.

Whereas the bulk of Rheinmetall business is with NATO countries, Denel Munitions is well established in South Africa, Asia, the Middle East and South America. Rheinmetall and Denel Munitions will in future be able to serve their main markets with a complete portfolio of products.

"This agreement with Rheinmetall ties in with Denel's turnaround strategy," Lana Kinley explained. "In fact, as one of the crucial pillars of the strategy, equity partnerships with major

global players will provide the Denel businesses like Munitions with world-class technology and skills, operational improvements, market access and scale to best serve its clients.”

During the course of the restructuring of Denel Pty Ltd (the state-owned armaments group), Denel Munitions was spun off as an independent business unit. Denel Munitions has approx 2000 employees at five locations and annual sales of around R900 million (€90 million). The holding company, Denel Pty Ltd of Pretoria, will continue to hold a minority stake of 49% in Denel Munitions.

In terms of the agreement Rheinmetall and Denel will boost investment in the South African company as soon as Rheinmetall's acquisition of its equity stake is finalised. This will modernise the South African business operations and improve its production structures and flows, thus setting the stage for solid, profitable growth.

### **About Rheinmetall Defence**

One of the most respected and best-known names in the international defence and security industry, Rheinmetall Defence is the defence technology arm of the globe-spanning Rheinmetall Group of Düsseldorf, Germany. Rheinmetall Defence has some 7,000 employees worldwide and generates annual sales of approximately €1.8 billion.

As Europe's leading supplier of systems and equipment for ground forces, the company offers a wide array of platforms and components. Rheinmetall Defence is synonymous with longstanding experience and innovation in the development and production of armoured vehicles, weapons and ammunition as well as air defence products and defence electronics. But its expertise also extends to air force and naval applications and internal security technology.

In the weapons and munitions segment, Rheinmetall Defence supplies a comprehensive range of medium- and large-calibre products. The spectrum extends from guns for the Eurofighter and medium-calibre automatic cannon for naval vessels and infantry fighting vehicles to the main armament of the Leopard main battle tank.

### **More about Denel (Pty) Ltd**

As a state-owned profit-driven corporation registered under the South African Companies Act, Denel groups together several defence and aerospace divisions. The company's defence capability dates back more than 50 years when some of its manufacturing plants were established.

Denel's design, development, engineering and integration capabilities in integrated artillery systems allow it to offer advanced combat systems, turrets, infantry weapons, including long-range mortars, a comprehensive range of small, medium and large calibre ammunition and sophisticated aerospace systems.

In restructuring the Group towards sustainable profitability, its owner, the South African government, agreed to its unbundling and the resultant formation of stand-alone companies. Equity in these was to be offered to major local and global defence industry players, who could take either a majority shareholding or a minority stake, with the remainder to be held by the state-owned Denel (Pty) Ltd as holding company. In the case of Denel Munitions, the proposed equity partner, Rheinmetall AG, opted for a 51% majority holding.

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