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Rheinmetall and Ferrostaal form joint venture, promising greater internationalization

- **Launch of Rheinmetall International Engineering joint venture**
- **General contractor for defence industry infrastructure projects seeks to benefit from international growth potentials**
- **Ferrostaal brings added plus of oil and gas business**

Rheinmetall AG of Düsseldorf and Essen-based Ferrostaal GmbH have joined forces to found Rheinmetall International Engineering GmbH. The joint venture responds to rapidly growing international demand for local defence technology infrastructure. Serving as either general contractor or subcontractor, the company will plan and implement turnkey industrial facilities. By cooperating with Ferrostaal, Rheinmetall is laying the groundwork for further internationalization.

“We’re pressing ahead with our strategy of internationalization, moving into new markets as a system integrator in the defence industry. Rheinmetall International Engineering is a highly significant step in this direction – and one which gives us a unique position in the industry”, declares Armin Papperger, Chairman of the Executive Board of Rheinmetall AG. “Ferrostaal is a long-established German partner, a company that’s been planning and managing the construction of industrial plants around the world for over ninety years in regions which are highly relevant to our future undertaking. From now on, we’ll be able to market our extensive array of products in combination with the creation of local production facilities. As a result, Rheinmetall will be taking part in an important market trend, since the establishment of local infrastructure is set to become increasingly important to international customers compared to regular arms imports”, he explains, adding that “our customers can now have their capex projects planned and carried out by an experienced, globally leading supplier of army technology – all from a single source.”

“For Ferrostaal this joint venture offers enormous opportunities for growth”, states Dr. John Benjamin Schroeder, Managing Director of Ferrostaal GmbH. “With Rheinmetall”, he adds, “we’re teamed with a top defence technology group with a unique range of products. Ferrostaal’s outstanding project expertise and country-specific area knowledge provide the perfect platform for generating new business in many regions around the world. What’s more, under this joint venture we’ll be able to expand our traditional oil and gas business into Asia and South America.”

A perfect match

The competences and capabilities of Rheinmetall Defence and Ferrostaal complement each other very well. Rheinmetall International Engineering combines the product expertise of Rheinmetall with Ferrostaal's core competences of project management and project development; engineering, procurement, construction (EPC) contracting; and production planning and/or management, all to be marketed under the name "Defence Solutions". Coinciding with the launch of the joint venture, a number of relevant new defence projects have already been identified for Rheinmetall International Engineering.

Rheinmetall and Ferrostaal, which each have a 50% share in the joint venture, will consolidate the new joint venture according to the equity method. The companies have agreed not to disclose the underlying value of the transaction, which is an asset deal. Furthermore, the joint venture still requires approval from the competition authorities. Rheinmetall International Engineering GmbH's headquarters is to be Geisenheim (Hessen) in Germany. The company will have around 200 staff to start with, mostly former employees of Ferrostaal Industrieanlagen GmbH.

Oil and gas

Ferrostaal also brings to the joint venture Ferrostaal Industrieanlagen GmbH's traditional strengths in the field of oil and gas. Rheinmetall International Engineering will have an international presence, acting as general contractor and subcontractor in the oil and gas industry. Besides the Middle East and North Africa, in future it will be focusing its efforts on Asia and South America. This core activity will enable Rheinmetall International Engineering to concentrate on building up the Defence Solutions business. Because regional target and core markets in the oil and gas business are partly identical with those of the company's new defence technology activities, Rheinmetall and Ferrostaal expect to see further synergies here. Intermeshing of the sales networks of both companies will enable broader market access, especially with regard to government clients.

About Rheinmetall

Rheinmetall Defence is part of the Rheinmetall Group, a globally operating technology enterprise specializing in engine components and defence technology. It is one of the most trusted names in the international defence and security sector. With around 10,000 employees, Rheinmetall Defence generates annual sales of approximately €2.3 billion.

As a leading supplier of innovative products for the world's armed forces, Rheinmetall produces a wide array of systems and subsystems that assure key military capabilities: mobility, reconnaissance, command and control, firepower and force protection. Together, the Rheinmetall Group's Automotive and Defence units had sales in fiscal 2012 totalling around €4.7 billion.

www.rheinmetall.com

About Ferrostaal

Ferrostaal is a technology-independent, multi-vendor, supplier-independent provider of industrial services with operations worldwide. As a project developer, the company is active in the areas of petrochemicals, wind power, and oil and gas. As a service and sales partner to international manufacturers, the company deals in machinery and equipment for recycling, packaging, rail transport, laboratory technology and printing, as well as pipes and piping accessories. In the automotive field, Ferrostaal develops tailor-made processes and operates the entire module assembly for international automobile manufacturers and suppliers. Some 4,400 employees combine decades of industrial expertise with financing competence on behalf of the customers. Ferrostaal has companies in around forty countries.

www.ferrostaal.com

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