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NEW GLOBAL MUNITIONS COMPANY IS ESTABLISHED

Rheinmetall Waffe Munition GmbH of Germany and Denel (Pty) Ltd of South Africa this week (2 September) concluded the transaction signed earlier in which Rheinmetall acquires a majority (51 per cent) equity holding in Denel's munitions business.

A new company, Rheinmetall Denel Munition (Pty) Ltd, has been established with effect 1 September 2008 in which Denel (Pty) Ltd retains 49 per cent shareholding.

This follows an agreement signed between the Düsseldorf-based Rheinmetall Group and Denel in February this year. For the transaction to be finalised, it required approval from the competition authorities and was subject to certain conditions precedent.

As part of continuing moves to internationalise its defence technology operations and to expand its market presence as a leading supplier of systems and equipment for ground forces, Rheinmetall looked at the South African munitions entity. At the same time, Denel was considering equity partnerships with major global players for its businesses as a crucial part of its major turnaround strategy.

Mr Gero Voss has been appointed as the CEO of Rheinmetall Denel Munition (RDM). Mr Voss is the former Chief Financial Officer of Rheinmetall's Land Systems business division. Mr Hugo Ivy, with a long career in the Denel Group and who served as the acting CEO of Denel Munitions, has been appointed as the Chief Operating Officer of RDM and Mr Milan Bohacek as the CFO of RDM. Mr Bohacek was formerly with Rheinmetall's automotive business in the Czech Republic.

"The product range and market penetration of the two companies jointly is complementary, making the transaction a very good match and this will be the basis for the future success of RDM," Mr. Voss said.

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.

All activities that formed part of Denel Land Systems Western Cape (with plants in the Western Cape province), Naschem (with a plant in the North West province) and La Forge (in Gauteng province) are now incorporated in the newly established Rheinmetall Denel Munitions (RDM). Denel Munitions, with annual sales of around R900 million (€90 million), employs approximately 1 800 employees at the five locations.

"With the conclusion of this agreement with Rheinmetall we are seeing further progress in Denel's turnaround strategy," Mr Talib Sadik, acting Group CEO of Denel explained. "I'm convinced this new company will provide both Rheinmetall and Denel's clients increased benefits. The parent companies will ensure investment in plant upgrades and world-class technology, whilst also opening up skills development, operational improvements and market access to best serve our clients in South Africa and around the world."

The Board of Directors of the RDM will consist of five members of which two are nominated by Denel and the other three by Rheinmetall.

About Rheinmetall

Rheinmetall is one of the most respected and best-known names in the international defence and automotive 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.

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 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 70 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.

Denel has already concluded equity partnerships with the following:

- Safran Group of France, resulting in the formation of Turbomeca Africa (Pty) Ltd: (Denel 49%);
- Saab AB (publ) (Sweden), to create Denel Saab Aerostructures (Pty) Ltd in which Denel holds 80%;
- Carl Zeiss Optronics GmbH of Germany, establishing Carl Zeiss Optronics (Pty) Ltd: (Denel 30%).

End

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