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Rheinmetall benefits from long-term investment programme in Brazil, expanding its bridgehead in South America

Order volume in natural gas and oil extraction worth several hundred million euros – follow-up contracts expected

Rheinmetall International Engineering (REI), a joint venture of Rheinmetall AG and Ferrostaal GmbH, will shortly be delivering the first modules as part of a large-volume order in Brazil, which gives the company a valuable strategic anchor in South America.

Booked by Ferrostaal Industrieanlagen Óleo e Gás do Brasil (FIA do Brasil), Brazilian subsidiary of Rheinmetall International Engineering, the total order is worth several hundred million euros. Starting in July, the first modules for special ships are to be delivered and installed. These production and storage units will play an important role in exploiting oil and gas fields off the coast of Brazil.

Ferrostaal contributed this major contract to Rheinmetall International Engineering, which began operating in January 2014.

The contract encompasses six special ships for gas and oil extraction. Serving as general contractor, FIA do Brasil is responsible for the ships in a consortium with Brazil's Tomé Engenharia S.A.. These floating production storage and offloading vessels, or FPSOs, are being built entirely in Brazil.

Rheinmetall AG expects REI's activities in Brazil, where the joint venture has strong local infrastructure and is firmly anchored in South America's largest economy, to provide valuable impetus for sales of its core defence technology products.

Large-volume follow-up orders on the horizon

Following the forthcoming transfer of the first modules for the mobile production and storage units, Rheinmetall International Engineering looks forward to further orders in the field of offshore gas and oil extraction in Brazil.

The current contract and anticipated follow-up orders form part of a long-term capital expenditure programme of the Brazilian government, which aims to tap the reserves of new offshore oilfields off the country's coast such as – Tupi, Libra and Pre Salt – by 2020. This will involve additional orders for equipping FPSO vessels.

Petrobras: US\$154 billion capex programme

Brazilian government strategy calls for increasing daily oil production from the current level of 2.1 million barrels to 4.2 million barrels by the end of the decade.

To do this the Brazilian petroleum giant Petrobras – one of the largest oil companies worldwide – plans to spend US\$154 billion on exploration and production through to 2020.

Special ships form a key element in offshore oil and gas extraction

The consortium of Tomé Engenharia S.A. and Ferrostaal Industrieanlagen Óleo e Gás do Brasil is building the modules for processing crude oil at a specially constructed shipyard near Maceio in eastern Brazil. These modules are intended for use in floating production storage and offloading vessels (FPSO), which will be used as production and storage units in offshore extraction operations at the new Tupi oilfield off the coast of Brazil. The customer and owner of the ships is Tupi BV, a European affiliate of Petrobras.

These special vessels offer enormous advantages in offshore extraction, especially in deep-sea regions. As mobile production and storage units they can be deployed quickly and flexibly, making construction of an elaborate local pipeline infrastructure superfluous. The extracted oil is transported from the drilling platforms via underwater pipes to the ships, where it is processed and stored prior to be loaded onto an oil tanker.

About Rheinmetall International Engineering:

Launched in January 2014, Rheinmetall International Engineering is a 50:50 joint venture of Rheinmetall and Ferrostaal. Rheinmetall sees the new company as a means of accelerating the internationalization of its defence operations, especially in markets where it previously had only limited access, e.g. South America. At the same time, Rheinmetall is seeking to exploit synergies between state customers in the civilian oil and gas industry (previously served by Ferrostaal Industrieanlagen GmbH) and its core defence sector business, thus creating optimum market access. This should also enable expansion of Ferrostaal's traditional oil and gas operations to Asia and South America.

Whether acting as general contractor or subcontractor, Rheinmetall International Engineering plans and implements turnkey industrial projects, providing single-source expertise. The company is headquartered in Geisenheim (Hessen) west of Frankfurt am Main, with total staff of around 170.

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