

WFW ADVISES RHEINMETALL ON UK- BASED LAND SYSTEMS JOINT VENTURE WITH BAE

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Watson Farley & Williams (“WFW”) advised Germany’s Rheinmetall AG (“Rheinmetall”) on its new joint venture (“JV”) agreement with BAE Systems (“BAE”) to create a joint UK-based military vehicle design, manufacturing and support business. The establishment of the JV is subject to regulatory approvals which are expected to be completed in H1 2019.

Under the agreement, Rheinmetall will purchase a majority stake in BAE’s existing UK-based combat vehicles business. The new JV will be headquartered at BAE Systems’ existing facility at Telford, England, and will be known as Rheinmetall BAE Systems – Land (“RBS-L”). RBS-L will sustain over 400 jobs in the UK, as well as preserve key technology and engineering skills. In addition to managing and growing the existing combat vehicle support business, the intent is for RBS-L to play a major role in the delivery of the British Army’s new Mechanised Infantry Vehicle (MIV) and Challenger 2 Life Extension programmes.

While initially focused on these major UK programmes, RBS-L will also form an integral part of Rheinmetall’s Vehicle Systems Division and will participate in and contribute to various global military vehicle pursuits and contracts. The combination of the military vehicle technology and products resident in Rheinmetall with the additional capabilities and products brought into the JV by BAE, such as Titan, Trojan, Terrier, Warrior, military bridging and the AS90 self-propelled artillery system will create a European market leader with a highly attractive depth and breadth in the military vehicle sector. RBS-L has the potential to create hundreds of additional UK jobs, both in Telford and throughout the wider supply chain.

500 eight-wheel Boxer armoured vehicles are set to be purchased by the British Army over a five-year period with the first platforms scheduled for delivery in 2023. Built by distinct Rheinmetall joint venture Artec, the Boxer has been selected in principle without a competition by the UK’s Ministry of Defence as the best protected and most mobile vehicle available, with the best power-to-weight ratio.

Headquartered in Düsseldorf and established in 1889, Rheinmetall is one of Europe’s leading defence contractors and a market leader for environmentally friendly mobility and threat-appropriate security technology. In the 2017 fiscal year, its 23k+ employees generated sales of circa €5.9bn.

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The multi-disciplinary WFW London team advising Rheinmetall on the joint venture was led by Corporate Partner Mark Tooke, supported by Frankfurt Corporate Partner Dr. Christoph Naumann, Senior Associate Richard O'Brien and Associate Nicholas Connell. Tax advice was provided by Partner Tom Jarvis and planning and environmental expertise by Partner Nick Walker. Partner Simon Folley led on the real estate aspects of the transaction and Partner Jeremy Robinson, supported by Senior Associate Vineet Budhiraja, provided competition law advice. Senior Associate Anna Robinson and Associate Aarti Jagpal advised on employment law issues.

The team worked closely throughout the transaction with Rheinmetall's Senior Legal Counsel Dr Karsten Winkelmann.

Mark commented: "We're delighted to have been able to assist Karsten and the team at Rheinmetall on this important and complex transaction. Not only should this see the UK Army provided with the absolute best, top-of-the-range armoured personnel carriers in the Boxer to ensure the highest safety and performance standards for our troops, but it represents significant inward investment into the UK in this strategic sector, supporting a bright future for hundreds of UK-based engineers".

Dr Winkelmann added: "We greatly appreciate the dedication and drive of Mark and his team in providing legal support on this transaction, as well as their hands on approach with regards to identifying issues and negotiating practical solutions".

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RELATED CONTACTS



MARK TOOKE
PARTNER • LONDON

T: +44 20 7814 8074

mtooke@wfw.com

MEDIA ENQUIRIES



WILL SALOMONE

T: +44 20 3036 9847

media@wfw.com

WATSON FARLEY & WILLIAMS

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