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COMP/M.

SECTION 1.2

Description of the concentration

The proposed Transaction (the ***Transaction***) involves the creation of a joint venture comprising each of the naval surface ship building and support operations of BAE Systems plc (***BAE***) and VT Group plc (***VT***) in the UK, including their existing Fleet Support Limited (***FSL***) joint venture. The joint venture will comprise:

- VT's naval and surface ship design, manufacture and support activities in the UK. These are carried out primarily at VT's facilities sited in the Portsmouth Naval Base;
- BAE's naval surface ship design, build, integration, support and disposal activities. These are carried out at Scotstoun, Govan, Portsmouth, Farnborough and Filton in the UK; and
- the activities of FSL, also carried out at Portsmouth.

BAE is a global company engaged in the development, delivery and support of advanced defence and aerospace systems in the air, on land and at sea. BAE designs, manufactures and supports military aircraft, surface ships, submarines, combat vehicles, radar, avionics, communications, electronics and guided weapons systems. It has major operations across five continents with customers and partners in over 100 countries.

VT is a support services and shipbuilding group supplying services and products worldwide. In the UK naval defence sector, its principal activities are shipbuilding and naval repair and support services at the Portsmouth Naval Base/dockyard.

The Transaction is a response to recognition that, in light of the decreasing number of new naval programmes, the increased time periods between these, and the desire to contract on the basis of Through Life capability, consolidation in the UK naval shipbuilding and support sector is necessary to satisfy the UK Government's objective of maintaining adequate sovereign capability for complex naval surface ships and associated support work, as outlined in its *Defence Industrial Strategy* of December 2005.