Daimler and Rolls-Royce announce joint venture company and intent to launch a public tender offer for Tognum AG

- Combination aims to create a leading global player in the industrial engines market
- The Joint Venture strengthens Tognum’s position and establishes a broader range of products, systems and services as well as global sales network
- Rolls-Royce contributes Bergen gas and diesel medium-speed engine business – further enhancing the growth prospects of Bergen
- Addressing a global market worth more than € 30 billion a year with above average growth
- Strengthens access to emerging economies
- Safeguarding jobs and creating new opportunities through shared capabilities and long term investment
- Attractive offer price of € 24 per share for Tognum shareholders. Premium of around 30 per cent above the XETRA closing price of Tognum shares on Friday March 4, 2011, the last undisturbed trading day before the transaction was rumoured in the markets
- Daimler’s 28.4 per cent stake in Tognum to be tendered to the offer
Stuttgart/London – Daimler AG, the global automotive company and Rolls-Royce Group plc, the global power systems company, announced today that they intend to launch a public tender offer for 100 per cent of the share capital of Tognum AG. The public tender offer is intended to be carried out by a 50:50 joint venture company.

Listed on the Frankfurt Stock Exchange, Tognum AG is a premium supplier of engines, propulsion systems and components for Marine, Energy, Defence, and other industrial applications (often described as “off-highway” applications). Daimler has strong capabilities in engine technology and manufacturing expertise, and exceptional access to global markets. Rolls-Royce has complementary world leading capability in integrated power systems and services, and a well established market presence in the Marine, Energy and Defence sectors.

The proposed joint venture, comprising of Tognum and Bergen, the gas and diesel medium-speed engine business from Rolls-Royce, will offer significant advantages to Daimler, Rolls-Royce and Tognum. The markets in which the Joint Venture will operate are attractive and fast growing, especially in the developing economies. By combining the strengths and market access of these three world-class companies the Joint Venture will be able to offer a compelling portfolio of products, services and integrated solutions on a global basis, thus enabling the Joint Venture to become a world leading engine systems company and creating additional value for shareholders. The partners intend to maintain the current manufacturing sites and are confident that the growth strategy will secure jobs and lead to further opportunities. This may include investment in a new state of the art plant and facilities to enable growth and deliver productivity improvements.
Dr. Dieter Zetsche, Chairman of the Board of Management, Daimler said: “Tognum is an excellent company, and the combination with Daimler and Rolls-Royce creates a win situation for all parties. The planned combination will provide a strong platform to realize the huge market potential. It is an exciting proposition for Daimler to partner with Rolls-Royce to further invest in the Tognum business to create growth for the company and create additional value for our shareholders as well as for the customers and employees of Tognum.”

Sir John Rose, Chief Executive Rolls-Royce Group plc said: “This is a significant opportunity to harness the innovation, technology and engineering expertise of Rolls-Royce, Daimler and Tognum. The complementary capabilities we are bringing together will provide us with a world leading proposition, and will enable us to expand the business by developing a broader portfolio of integrated power systems and services for existing and new customers.”

Daimler and Rolls-Royce will offer Tognum shareholders € 24 per share in cash representing a total consideration of approximately € 3.2 billion. This represents a premium of around 30 per cent above the XETRA closing price of Tognum shares on Friday March 4, 2011, the last undisturbed trading day before the transaction was rumoured in the markets, and a premium of around 22 per cent above the weighted average price of Tognum shares over the three months before the announcement of the transaction. Daimler holds a 28.4 per cent stake in Tognum which will be tendered into the takeover offer at the offer price.
The joint venture allows Daimler to further enhance its shareholding in Tognum. With its engineering and technology competence, Daimler will be a partner in research and development to develop modern and highly efficient engine systems and make a significant contribution to the efforts to meet ever more stringent emission standards. In addition, Tognum will also benefit from leveraging Daimler’s strong global network. Daimler will secure its business relationship with Tognum as an engine supplier and will also continue to add to the Tognum product range with its diesel engines, thus further bolstering its business relationship with Tognum.

Rolls-Royce will contribute its medium speed reciprocating engine business which trades under the Bergen brand name to operate within the new joint venture company. Bergen engines have an outstanding track record for quality and reliability. The portfolio includes diesel and gas powered reciprocating engines which address the marine propulsion and auxiliary power markets. Rolls-Royce also brings a proven capability to deliver complex integrated systems and solutions in these growing markets where customers increasingly require a total solution approach.

The benefits of complementary technologies, a common commitment to innovation, increased focus on systems solutions and through life customer support and broader market access will create considerable growth opportunities. Productivity will be enhanced by the benefits of scale, combining operational capabilities within the venture and delivering improved solutions to the benefit of both customers and shareholders. As such, the combined portfolio will be well positioned to become one of the world’s leading industry players in the Marine, Distributed Power Generation, Offshore Oil & Gas and Industrial applications markets.
Further information on the offer:

The offer will be made subject to clearance by appropriate merger control authorities and achievement of a minimum acceptance threshold of at least 50 per cent plus 1 share (including the 28.4 per cent stake in Tognum to be tendered by the Daimler subsidiary) of the currently issued share capital of Tognum. In addition, the offer will be made on and subject to the terms and conditions to be set out in the offer document.

The shareholder agreement entered into by Daimler and Rolls-Royce, as is customary, contains exit provisions allowing either party to exit the joint venture under certain circumstances, including in the event of a change of control or insolvency of the other partner. Depending on the triggering event, these provisions provide each of the parties the right to exit at cost or fair market value of the venture, subject to any required regulatory consents or approvals. In addition, under certain circumstances, Rolls-Royce could be required to acquire Daimler’s stake in the joint venture at cost subject to certain adjustments.

About Daimler

Daimler AG is one of the world’s most successful automotive companies. With its divisions Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Financial Services, the Daimler Group is one of the biggest producers of premium cars and the world’s biggest manufacturer of commercial vehicles with a global reach. Daimler Financial Services provides its customers with a full range of automotive financial services including financing, leasing, insurance and fleet management. As an automotive pioneer, Daimler continues to shape the future of mobility. Daimler sells its vehicles and services in nearly all the countries of the world and has production facilities on five continents. In addition to Mercedes-Benz, the world’s most valuable automotive brand, Daimler’s brand portfolio includes smart, Maybach, Freightliner, Western Star, Fuso, Setra, Orion and Thomas
Built Buses. The company is listed on the stock exchanges of Frankfurt and Stuttgart (stock exchange symbol DAI). In the year 2010, the Daimler Group sold 1.9 million vehicles and employed a workforce of more than 260,000 people; revenue totaled €97.8 billion and EBIT amounted to €7.3 billion.

About Rolls-Royce

Rolls-Royce is a world-leading provider of power systems and services for use on land, at sea and in the air, and has established a strong position in global markets - civil aerospace, defence aerospace, marine and energy. Rolls-Royce has a broad customer base comprising more than 500 airlines, 4,000 corporate and utility aircraft and helicopter operators, 160 armed forces, more than 2,500 marine customers, including 70 navies, and energy customers in nearly 120 countries, with an installed base of 54,000 gas turbines. Rolls-Royce is a world leader in marine solutions, providing products, service and expertise to more than 30,000 vessels in the offshore, merchant, naval surface and submarine markets. It designs ships and its product range includes power and propulsion systems featuring diesel engines and gas turbines, propellers, thrusters and water jets. Rolls-Royce also provides manoeuvring and stabilising systems and deck machinery. Annual underlying revenues were over £10.8 billion in 2010, of which more than half came from the provision of services. The firm and announced order book stood at £59.2 billion at 31 December 2010, providing visibility of future levels of activity. Rolls-Royce employs 39,000 skilled people in offices, manufacturing and service facilities in over 50 countries. Over 11,000 of these employees are engineers.

About Bergen

Bergen takes its brand name from the town on the west coast of Norway where it has been manufacturing engines since 1943. Rolls-Royce Bergen diesel engines are world famous for their durability and reliability and are used extensively across the maritime and power generator sectors with more than 4,000 in service today. The Rolls-Royce medium speed Bergen diesel engine portfolio, K, C, and B-series, comprise a comprehensive range of established and newly developed Bergen models for main propulsion and auxiliary power generation, spanning the power range from 1.5MW - 10MW. Development and testing of the diesel and gas engines is undertaken at the main engine manufacturing facility in Bergen. High quality casting and component manufacture is conducted at the Bergen foundry, which is one of the most modern facilities of its kind. The latest Bergen gas engine produces up to 90 per cent less NOx emissions than traditional diesel engines and will comply with IMO Tier3 requirements that will come into effect in 2016. This technology is a major step forward in delivering reliable, clean power - and reducing the environmental impact of our products. All Bergen diesel engines comply with the requirements of IMO Tier 2, which will come into force later in 2011, with no extra external cleaning systems. Bergen is currently integrated in Rolls-Royce’s businesses in various jurisdictions and shall be more specifically delineated and carved out in the course of the transaction. It is expected to comprise around 900 people with annual revenues and expected value to be around €400 million.

About Tognum

With its two business units, Engines and Onsite Energy & Components, the Tognum Group is one of the world’s leading suppliers of engines and propulsion systems for off-highway applications and of distributed energy systems. These products are based on diesel engines with up to 9,100 kilowatts (kW) power output, gas engines up to 2,150 kW and gas turbines up to 45,000 kW. The product portfolio of the Engines business unit comprises MTU engines and propulsion systems for ships, for heavy land, rail and defense vehicles and for the oil and gas industry. The portfolio of the Onsite
Energy & Components business unit includes distributed energy systems of the brand MTU Onsite Energy and fuel-injection systems from L’Orange. The energy systems comprise diesel engines for emergency standby power, prime power and continuous power, as well as cogeneration power plants based on gas engines and gas turbines that generate both power and heat. Tognum generated audited Profit Before Tax of €147 million for the 12 months ended 31 December 2009 and had unaudited Gross Assets of €2.6 billion as at 30 September 2010. It employs more than 8,700 people. Tognum has a global manufacturing, distribution and service structure with 27 fully consolidated companies, more than 140 sales partners and over 500 authorized dealerships at approximately 1,200 locations.

Safe Harbour Statement

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Tognum AG shares. The final terms and further provisions regarding the public offer will be disclosed in the offer document after the publication has been approved by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin). The final terms of the public offer may differ from the basic information described herein. Investors and holders of Tognum AG shares are strongly recommended to read any such offer document and all documents in connection with the public offer as they are published, since they will contain important information. Subject to certain exceptions to be approved by the relevant regulators or certain facts to be ascertained, the public offer will not be made directly or indirectly, in or into any jurisdiction where to do so would constitute a violation of the laws of such jurisdiction, or by use of the mails or by any means or instrumentality including without limitation, facsimile transmission, telephone and the internet of interstate or foreign commerce, or any facility of a national securities exchange, of any such jurisdiction. The figures in this document are preliminary and have neither been approved yet by the Supervisory Board nor audited by the external auditor.

This document contains forward-looking statements that reflect our current views about future events. The words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “should” and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including an adverse development of global economic conditions, in particular a decline of demand in our most important markets; a deterioration of our funding possibilities on the credit and financial markets; changes in currency exchange rates; a shift in consumer preference; or a possible lack of acceptance of our products or services, which may limit our ability to implement prices as well as to adequately utilize our production capacities; price increases in fuel, raw materials; disruption of production due to shortages of materials, labor strikes, or supplier insolvencies; the effective implementation of cost-reduction and efficiency-optimization measures; the business outlook of companies in which we hold a significant equity interest; the successful implementation of strategic cooperations and joint ventures, changes in laws, regulations and government policies and the conclusion of pending or threatened future legal proceedings; and other risks and uncertainties. If any of these risks and uncertainties materialize, or if the assumptions underlying any of our forward-looking statements prove incorrect, then our actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. The takeover offer will be implemented in the United States pursuant to Section 14(e) and Regulation 14E of the U.S. Securities Exchange Act of 1934, as amended, and otherwise in accordance with the provisions of the WpÜG. Accordingly, the takeover offer is subject to publication and other procedural requirements, including with regard to withdrawal rights, offer period, settlement procedures and timing of payments, which may differ from those regarding the implementation of public offers in the United States. Moreover, Tognum shareholders
who come into possession of the offer document outside the Federal Republic of Germany or the United States and wish to accept the offer outside the Federal Republic of Germany and the United States may be subject to other legal provisions than those of the Federal Republic of Germany and the United States; these shareholders are advised to inform themselves of the relevant applicable legal provisions and to comply with them. Daimler, Rolls-Royce and the Joint Venture assume no responsibility for acceptance of the offer outside the Federal Republic of Germany and the United States being permissible under the relevant applicable legal provisions.

Further Investor Relations information on Daimler is available on the Internet via http://www.daimler.com/investors and on handhelds via http://www.daimler.mobi/ir.

If you have any questions, please contact our Investor Relations Team:

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