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## Press Release

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**For immediate release  
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### **Porsche / Volkswagen: another case of “creeping takeover”?**

F&C, which manages over €120 billion of assets, has written to the German securities regulator, the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), calling for greater transparency and disclosure of direct and indirect ownership positions taken by minority investors in public companies. This action was triggered by the recent accumulation by the German car maker Porsche AG of a 74.1% stake in the German car maker and Dax 30 company, Volkswagen AG. While the short term effect on Volkswagen's share price has been remarkable in the current market situation - much has been said about its share price shooting up by 146.6% at Deutsche Börse closure last Monday- the root cause of this astronomic rise is explained by the very small free float of Volkswagen shares in the market place resulting from the hidden stake that had been built by Porsche. In this context F&C's fundamental concerns relate to the non-transparent way in which Porsche built its position in Volkswagen – through the use of derivatives contracts.

This is the second time within two months that F&C has written to the German financial regulator to raise concerns about lack of transparency in the accumulation of a controlling interest in a Dax 30 company. Late August, the Schaeffler Group had achieved an aggregate 36% economic stake without prior public disclosure, with the result that neither Continental nor its minority shareholders were aware that Schaeffler had positioned itself to take a controlling interest in the company. When this happened, F&C, which has a presence in Frankfurt—and which has equity stakes in Continental, Porsche and Volkswagen-- warned that this could set a dangerous precedent for other so-called “creeping takeovers” in Germany. “To the extent that minority investors may be disadvantaged by limited disclosure on economic stakes in German firms, this could impact the credibility of German corporate governance in the institutional investment community, both within Germany and internationally”, said George Dallas, Director of Corporate Governance at F&C.

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“This differs notably from the approach taken by the UK’s Financial Services Authority in its policy on disclosure of contracts for difference which calls for disclosure on long derivative positions which exceed a 3 per cent threshold”, he continued. F&C believes this relative lack of disclosure allowed in Germany can be detrimental to minority shareholders, particularly those investors that may have sold Volkswagen’s shares without an awareness of Porsche’s economic stake.

“An active market for corporate control, which we support, needs to be accompanied by high standards of transparency and disclosure. In the current case, the levels of disclosure were not sufficient and did not reflect the proper spirit of good corporate governance,” Dallas said.

F&C’s letter encourages BaFin to launch a review of disclosure thresholds in Germany to encompass both direct economic stakes as well as indirect stakes through equity swaps or other forms of derivative contract. “Such a step would be welcomed by both the domestic investment community in Germany and by international investors and would be a positive move forward for German corporate governance”, he added. In particular F&C believes that it is important to capture cash-settled derivatives in German transparency requirements. The recent events involving Porsche and Volkswagen prompt F&C to encourage the BaFin once again to take up advocacy of legislative changes relating to German transparency standards with the greatest of urgency.

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**Press enquiries – 0207 011 4600**

## **Notes to Editors**

### **F&C Investments**

- F&C Asset Management (F&C) is a London Stock Exchange listed asset management group which traces its origins back to 1868 with the launch of the Foreign & Colonial Investment Trust, the first ever publicly listed investment fund. Foreign & Colonial Investment Trust remains a client of F&C.
- F&C is an active fund manager with a multi-specialist investment model where individual teams have strong accountability for their products and processes. The group is also an active shareholder with a leading franchise in governance and sustainable investment.
- F&C now manages £96.5 billion (€121.9 billion) of assets\* for a diverse range of institutional, insurance and retail clients across all major asset classes – equities, bonds, cash and property – as well as alternative and specialist product classes such as Socially Responsible Investment funds, hedge funds, funds of hedge funds, private equity funds, Global Tactical Asset Allocation products,

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enhanced alpha funds and Liability Driven Investments. F&C invests globally and has been a longstanding investor in emerging markets.

- F&C manages assets principally from three investment centres: London, Amsterdam and Edinburgh. The group has an office network spanning ten countries: China (Hong Kong), France (Paris), Germany (Frankfurt), Ireland (Dublin), The Netherlands (Amsterdam), Portugal (Lisbon), Sweden (Stockholm), Switzerland (Geneva), UK (London, Edinburgh, Dorking) and the United States (Boston).

\* As at 30 June 2008.