

**The Global Economic Crisis - The need for
Strategic Investors: the German view**

Prof. Dr. Rüdiger von Rosen

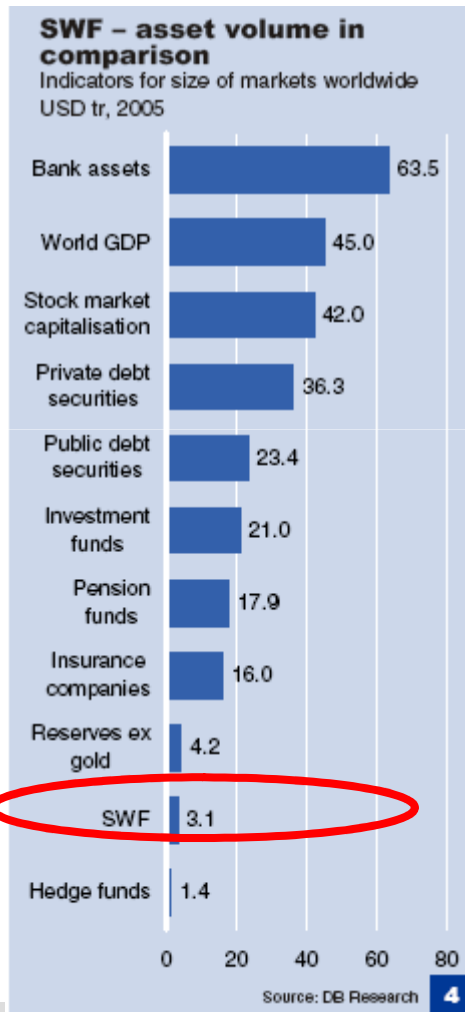
Vice Chairman, European Issuers
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27 October 2009

Did the financial crisis boost the need for strategic investors?

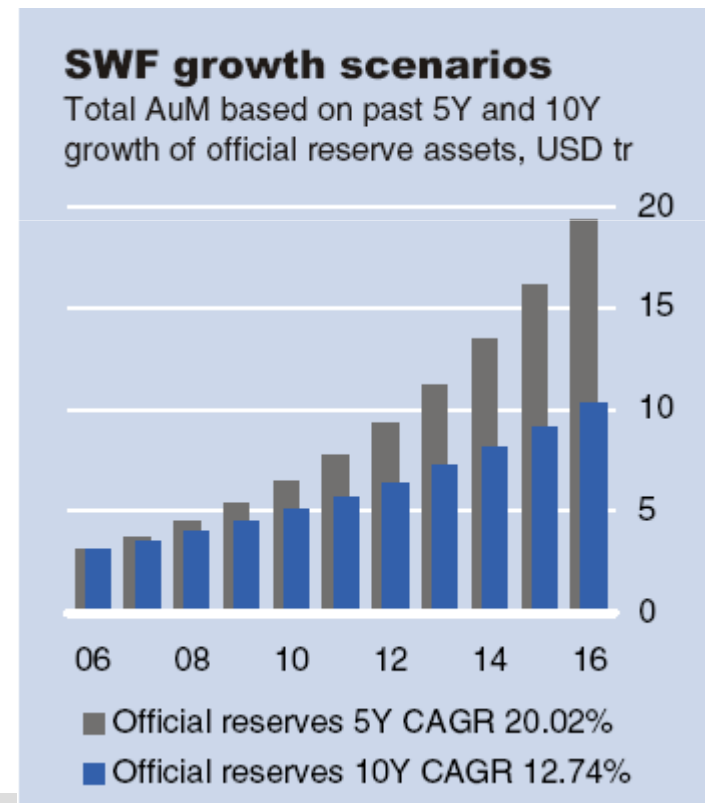
Acquired company	SWF	Transaction value	
		\$ billion	in % of firm value
UBS	GIC (Singapore)	9.8	8.6
Citigroup	ADIA (Abu Dhabi)	7.6	4.9
Citigroup	GIC (Singapore)	6.9	4.4
Morgan Stanley	CIC (China)	5.0	9.9
Merril Lynch	Temasek (Singapore)	5.0	11.3
Merril Lynch	KIA (Kuwait)	3.4	7.0
Barclays	China Development Bank	3.0	3.1
Blackstone	CIC (China)	3.0	10.0
London Stock Exchange	Investment Corporation (Dubai)	3.0	28.0
Merril Lynch	KIC (Kuwait)	2.0	4.3
Barclays	Temasek (Singapore)	2.0	1.8
London Stock Exchange	Qatar Investment Authority	2.0	20.0
Standard Chartered	Temasek (Singapore)	2.0	5.4

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SWFs are still relatively small...

... but they are to grow in the near future

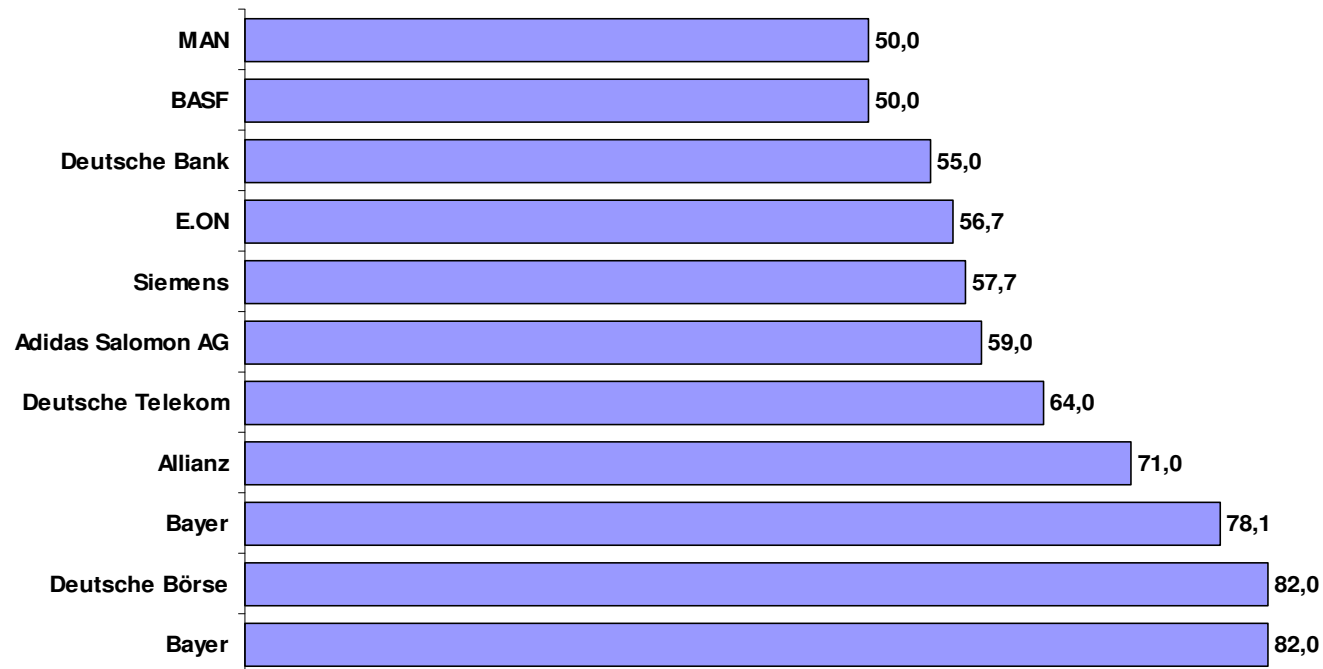


Countries around the world introduced some restriction with regard to foreign direct investment

- *United States*
 - since 1988, review process for foreign investments, undertaken by the Committee on Foreign Investments (CFIUS), US president can prohibit incoming investments.
 - rules sharpened in the course of 2007 and 2008,
- *Australia*
 - has maintained a foreign investment screening process since 1975
 - In 2008, the government issued additional principles applicable to foreign state investors
- *Germany*
 - In 2009: establishment of a review process under the auspices of the Federal Ministry of Economics for foreign investments originating outside the EU or EFTA and leading to a stake in a listed or unlisted German company of more than 25 percent.
 - law is economically not nearly as restrictive as argued by some commentators.

... but companies need to be open

**Foreign investors in German TOP companies 2008/2009
(in percent of outstanding shares)**



source: companies' websites, Deutsches Aktieninstitut.

... and SWFs grow in importance

1973: Iran buys a stake of Krupp

1974: Kuwait buys a 13 percent stake of Daimler

2007: Mauser-Group is bought by Dubai International Capital for Euro 850m

2007: Dubai buys 2,2 percent of Deutschen Bank

2007: Dubai International Capital buys 3,1 percent of EADS

2007: Abu Dhabi Investment Authority buy 2,9 percent of Colonia Real Estate

2007: Dubai International buys Almantis

2008: IPIC from Abu Dhabi buys Man Ferrostaal

2009: Abu Dhabi buys 9,1 Prozent of Daimler

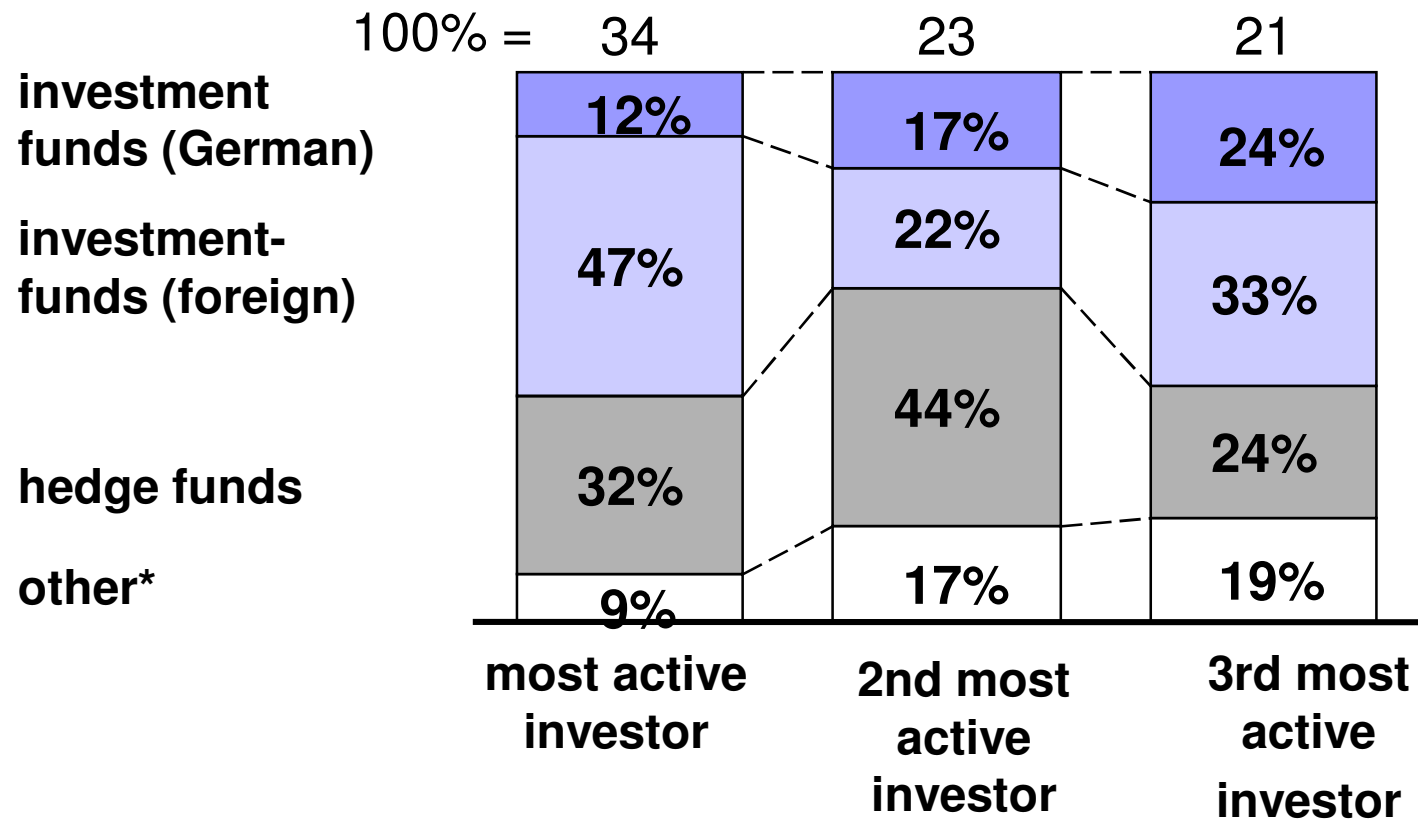
2009: Qatar Investment Authority buys stake at Volkswagen

2010: China Investment Corporation is to buy stake of Deutsche Bahn?

Shareholder Activism – survey results

- The majority of active shareholders are not activist hedge funds but „traditional“ funds
- Active shareholders play a pivotal role in setting company direction
- Active shareholders shun confrontation but are cooperative in style instead
- Companies open up and prepare for the dialogue with investors

Who are the active shareholders?



source: DAI-McKinsey Survey

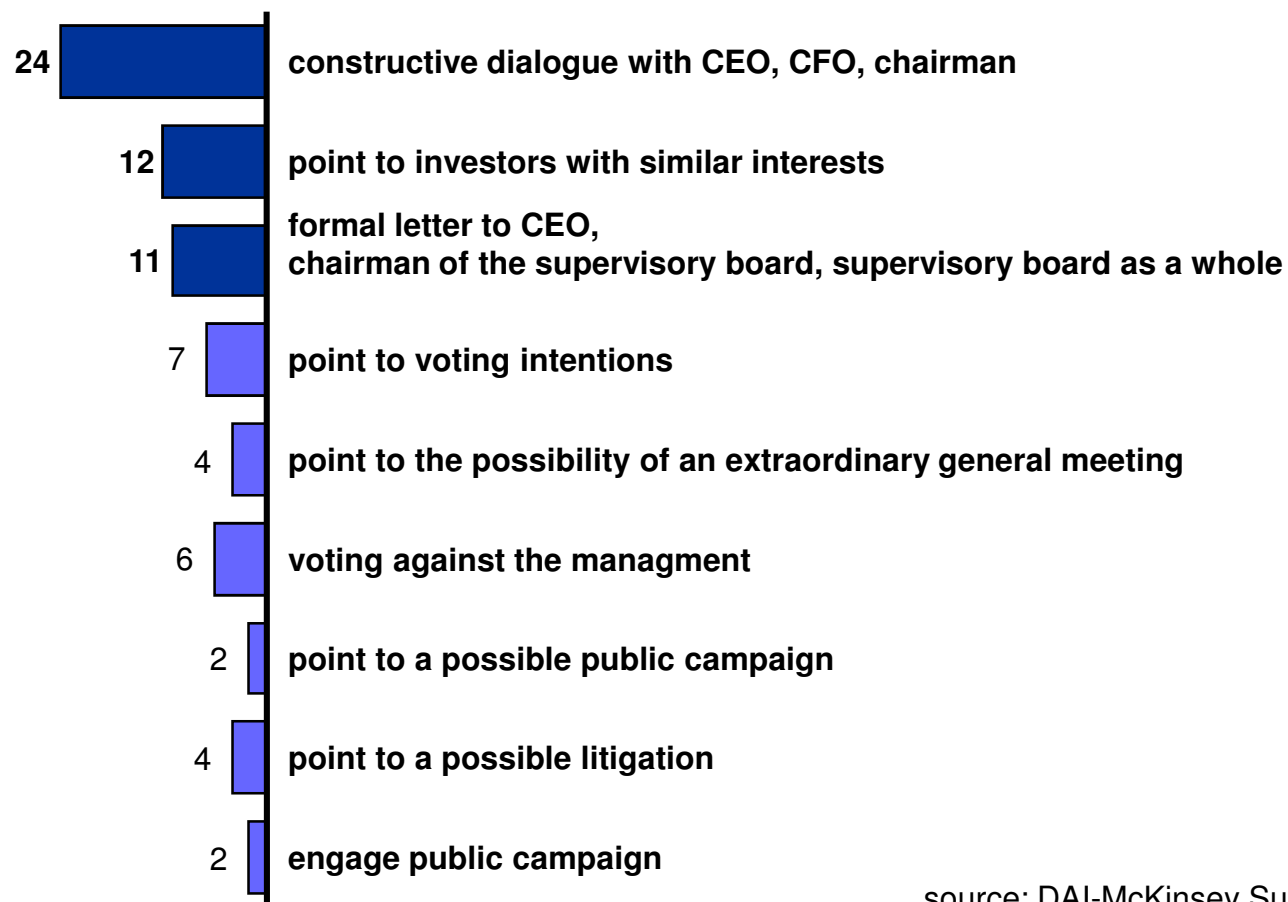
How do active shareholders bring forward their demands?

instruments employed (absolute numbers)

no escalation



high
escalation



source: DAI-McKinsey Survey

No standard requests

cases per category		main requests	requests of minor importance
M&A	48	Sale of a division/subsidiary	purchase of companies / merger sale of the whole company
capital structure	69	Request of measures with short-term yields (extra dividends, buy backs)	general capital structure (issuances, debt level)
strategic or operative issues	62	Medium-term measures (i.e. cost reduction, communication)	long-term strategic issues
corporate governance	51	Replacement of members of the supervisory board Representation in the supervisory board	remuneration

n = 31

The „ideal“ shareholder

- Ideal Shareholder as characterized by respondents of the DAI-survey
 - Pursues a long-term investment strategy with a horizon of more than two years (90 percent) and refrains from hedging strategies (49 percent)
 - Has significant industry knowledge (84 percent)
 - Is transparent vis-a-vis the company (80 percent)
 - has a stake above 5 percent (46 percent)

Potential changes in shareholder demands

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