

## **Shares skyrocket as Porsche takes over Volkswagen**

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GERMAN luxury sportscar maker Porsche has taken over Volkswagen, the biggest European car manufacturer, after purchasing more than 50 per cent of VW shares, Porsche said.

Porsche said in a brief statement overnight that by buying new VW shares, it “will thus increase its participation to 50.76 per cent” of the group’s capital, compared with 42 per cent before.

The news sent Volkswagen shares rocketing up 13.48 per cent in early afternoon trading on the Frankfurt stock market.

The takeover by a family-run company run by billionaire shareholders has been a culture shock for Volkswagen, a sprawling national institution seen as a model for cooperation between shareholders and unions.

Porsche launched its takeover bid in 2005, saying it would turn Volkswagen into a “normal” enterprise and incurring fierce opposition from the unions.

Porsche had initially planned to acquire more than 50 per cent of VW’s stock last year but was forced to delay the operation after the value of the shares soared amid frantic stock market speculation.

At one point, they traded for more than 1000 Euros(\$1867) per share, making VW briefly the biggest company in the world by stock market valuation.

On Monday, VW shares closed at 254.74 Euros, close to the range Porsche had set for itself of between 200-250 Euros.

VW said in August that it had overtaken Ford to become the world’s third biggest automaker behind General Motors and Toyota.

Porsche, which makes the 911 sports car and Cayenne sport utility vehicle, plans to raise its stake in VW to more than 75 per cent this year, with which it expects to gain total control over the group.

Having more than 75 per cent would allow it to seal a so-called domination contract giving it full financial control.

In Germany, a minority investor that owns 25 per cent of a company’s shares can block strategic decisions, but in the case of VW that level is currently set by law at 20 per cent, the amount owned by the state of Lower Saxony, where VW is based.

Porsche has challenged the so-called VW law and has received support from the European Commission, which has threatened to haul Berlin into European

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court again after a revised version of the law retained the 20 per cent minority blocking threshold.

Porsche built up its stake in the much bigger VW through the use of stock options that allowed it to catch markets by surprise last year with the size of its holding.

VW's works committee is wary of the takeover however and of Porsche boss Wendelin Wiedeking, who has crossed swords with trade unions, which are extremely powerful at VW.

VW posted sales of 109 billion Euros (\$206.67 billion) in 2007, while Porsche, which employs 11,600 workers, reported sales of 7 billion Euros (\$13.27 billion) in its 2006/07 fiscal year.

The IG Metall trade union fears a Porsche takeover would lead to job cuts at German VW plants, despite assurances from Porsche that it is a long-term investor in the auto giant.