

news

Porsche Acquires Shares in VW

Porsche has become the principal shareholder in Volkswagen AG. The German Antitrust Authority has given its approval to the plan. Says Porsche CEO Wendelin Wiedeking: "In making this investment, we seek to secure our plans for the future on a long-term footing."



With just under nineteen percent of the voting stock in Volkswagen AG, Porsche is now the biggest single shareholder in Europe's largest carmaker. In addition, Porsche has established a hedge against an ongoing increase in the price of VW common stock, and is in a position to acquire another 3.4 percent through the market. Its participation will not, however, exceed the threshold of 30 percent, at which Porsche would be required to submit a public bid for the takeover of Volkswagen. The company intends to obtain appropriate representation on Volkswagen's Supervisory Board.

The reason for acquiring an interest in the Wolfsburg-based company is that Volkswagen is not only a significant development partner, but also an important supplier for

approximately 30 percent of Porsche's sales volume. The two companies already cooperate extensively on such projects as the production of the Cayenne chassis and the joint development of a hybrid powertrain. Porsche Chairman Dr. Wendelin Wiedeking: "In making this investment, we seek to place both our business relations with Volkswagen and a significant portion of our own plans for the future on a secure, long-term footing."

Porsche is convinced that its interest in Volkswagen will prove to be a good investment over the medium and long term. "We expect a sizeable return," says Holger P. Härter, Porsche's Finance Director. This takes into account both future dividend payments from VW and, in particular, po-

tential economies of scale created by closer cooperation between the two companies.

Due to its high levels of existing liquidity, Porsche is able to pay for the acquisition of the shares without resort to outside financing. The liquid cash assets of the company will, however, be reduced in the short term by the purchase of the VW shares.

Notwithstanding the acquisition of the VW common stock, Porsche will continue to pursue all previously approved projects—such as the development of the Panamera—on schedule. Moreover, the attractiveness of the current model range will be further increased with the addition of new variations.

The planned acquisition is intended to ensure that a possible abrogation of the "VW Law" by the European Union will not lead to a hostile takeover of Volkswagen. This law, passed in 1960, protects the German carmaker from being taken over by investors not committed to Volkswagen's long-term interests. The European Court of Justice is expected to overturn the law by the spring of 2007. Wendelin Wiedeking: "Our investment in VW is the strategic response to this risk. Our goal is to ensure the independence of the Volkswagen Group in our own interest. The 'German solution' we seek is an essential prerequisite for the stable development of Volkswagen AG, and therefore also for the continuation of our mutually beneficial cooperation."

Volkswagen CEO Dr. Bernd Pischetsrieder welcomed the investment by Porsche, emphasizing the importance of a stable shareholder structure to the long-term development of its automobile business.