



Porsche to increase its Volkswagen stake

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Porsche AG has announced plans to increase its stake in fellow German carmaker Volkswagen AG, Europe's biggest car maker, from 27.3% to 31%, but said it was not after a full takeover.

Under German law, Porsche AG will have to bid for all of Volkswagen AG when its stake goes above 30%, but it has moved to ensure most Volkswagen shareholders turn it down. To make sure it only has to buy the extra 3.7% of Volkswagen that it wants, Porsche is offering a low price for the shares. Porsche is raising its stake in Volkswagen to boost its control over its compatriot.

Porsche said in a statement that it would only be offering the minimum amount legally required for Volkswagen shares, which is likely to be 14% below Volkswagen's Friday closing price of €117.70. „We do not expect many Volkswagen shareholders to offer us their shares,” said Porsche spokesman Michael Baumann. „Which means simply that we intend to go to 31%. We do not by any means intend to take over.”

Volkswagen Chairman Ferdinand Piech, whose family controls Porsche, has steadily increased his influence since Porsche first bought a stake a year and a half ago, installing Porsche executives on the Volkswagen board, forcing out the Volkswagen chief executive officer and winning another term as chairman. A bid now will help block any rival offer as a German law that prevents a Volkswagen takeover is invalidated by a European court. „With such an unattractive offer they certainly do not run the risk of winning a majority stake,” said Christopher Kummer, the director of the Institute of Mergers, Acquisitions and Alliances at Webster University in Vienna.

„In the long run, however, anything short of a majority stake won't make any sense.” Porsche has secured a €35 billion line of credit to finance the purchase of Wolfsburg-based Volkswagen, though doesn't want a majority stake at this time, Frank Gaube, a Porsche spokesman, said yesterday. „We want to be able to act, to increase our stake when it suits us,” Gaube said. The credit facility to finance the takeover has been arranged by ABN Amro Bank NV, Barclays Capital, Merrill Lynch International, UBS Ltd. and Commerzbank AG, Porsche said.

Porsche, the world's most profitable carmaker, is expected to start buying the extra 3.7% of Volkswagen shares on Monday. Volkswagen is Europe's largest carmaker, and in addition to the Volkswagen name, it owns other brands including Audi, Skoda and Seat. Porsche's move comes at a time when the European Union appears to be preparing to revoke a German law that protects Volkswagen from takeovers.

Under the so-called „Volkswagen Law”, any shareholder in Volkswagen cannot exercise more than 20% of the firm's voting rights, regardless of their level of stock holding. The European Court of Justice has already said in a preliminary ruling that the law breaks EU rules, and a full judgement to that effect is expected later this year.

The likely end to the Volkswagen Law would leave Volkswagen open to possible foreign takeover, and some analysts say that is why Porsche is moving to increase its stake in Volkswagen at this time. (BBC News, Bg)