

# Bloomberg

## **Porsche Files Lawsuit in Battle for Control of VW**

By Chris Reiter

May 27 (Bloomberg) -- Porsche SE, Volkswagen AG's largest shareholder, filed a lawsuit seeking to overturn a vote by VW investors that upheld the German state of Lower Saxony's ability to block decisions.

The Porsche lawsuit is the latest move in a wrangle for control of Europe's largest carmaker. At Volkswagen's annual meeting in April, Lower Saxony blocked attempts to scrap its veto rights. Porsche says the state's blocking power is no longer valid after a European Court of Justice ruling last October.

"We are arguing that Lower Saxony as a government authority was bound by European Union law and should have voted for our motion," Porsche spokesman Frank Scholtys said in a telephone interview. Olaf Glaeseker, a Lower Saxony spokesman, didn't immediately return calls for comment.

The battle over changing Wolfsburg, Germany-based VW's bylaws is in addition to a fight over the so-called Volkswagen Law passed by Germany's parliament in 1960. In October, the European Union's highest court ordered Germany to rewrite or scrap the law, which gives Lower Saxony, Volkswagen's home state, a blocking minority with its 20 percent stake.

Chancellor Angela Merkel's government today approved an amended version of the law that still protects Lower Saxony's right to block shareholder decisions and gives employee representatives on VW's board veto power, a move Porsche opposes. German businesses typically give a blocking vote to investors with at least a 25 percent stake.

### 'Outdated' Protection

Using government holdings and legal restrictions to protect businesses "is outdated and will not be a sustainable long-term solution," Christopher Kummer, president of the Institute of Mergers, Acquisitions and Alliances at Webster University in Vienna, said in an e-mail.

Porsche shares fell as much as 2.48 euros, or 2.1 percent, to 115.51 euros in Germany trading and were down 1.5 percent as of 12:35 p.m. in Frankfurt. The shares have fallen 15 percent this year, valuing the Stuttgart, Germany-based carmaker at 20.3 billion euros (\$32 billion).

Porsche, which wants to expand its stake to more than 50 percent from 31 percent, filed the suit over the VW bylaws in Braunschweig Regional Court yesterday. Ingo Gross, spokesman for the court, declined in an e-mail to comment because Volkswagen has yet to receive the complaint.

### Jurisdictional Dispute

The court will first have to determine whether to hear the case because under Lower Saxony state law the Hanover Regional Court may have exclusive jurisdiction, Gross said. In that case, Porsche can ask to have the case transferred to Hanover, he added. Hanover is Lower Saxony's capital.

Porsche is represented by London-based law firm Freshfields Bruckhaus Deringer in the case, Porsche's Scholtys said.

Volkswagen's ties to Porsche go back to the company's creation under Adolf Hitler's Nazi regime in the 1930s. Ferdinand Porsche, the grandfather of Volkswagen's current chairman, was the company's first leader. VW Chairman Ferdinand Piech's father, Anton Piech, married Porsche's daughter and became Volkswagen's director.

The extended Porsche-Piech family controls all of the sports-car maker's voting shares. Porsche produces about 100,000 cars a year, less than a week's production at Volkswagen.

Lower Saxony wants to maintain its blocking power in order to protect jobs. Volkswagen employs almost 170,000 people in Germany.

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