

news



Porsche Looks to the Future

Porsche has raised its stake in Volkswagen AG from 27.3 to 30.9 percent, which provides several advantages for both companies. If the European Union strikes down the so-called VW Act, as is expected, the company would still retain its autonomy. "All measures serve basically one goal, namely, to ensure our independence," says Porsche CEO Dr. Wendelin Wiedeking. "In other words, Porsche will remain Porsche."

At a specially scheduled shareholders' meeting on March 24, the Porsche board of directors gave the executive board the authority to raise Porsche's shares in VW to a maximum of 31 percent. Because the 30 percent threshold was crossed on March 28, the company was required by law to make an offer to all VW shareholders for their stakes. The law stipulates that a minimum price of

100.92 euros per share be offered to VW shareholders. Preferred shares with no voting rights were priced at 65.45 euros per share. Because this price is below the market value, few shareholders are expected to accept the offer.

In conjunction with this higher stake, Porsche AG is to be transformed into a European

public limited company that will function as a holding company in the future. "This spin-off is necessary so that the operative Porsche AG does not lose its identity or get watered down despite the higher stake in VW," said Porsche CEO Dr. Wendelin Wiedeking. The operative company will be converted into a 100-percent subsidiary company. The company will continue its business as usual—the development, production, and distribution of sports cars and sports utility vehicles—under the same name as previously: Dr. Ing. h.c. F. Porsche AG.

The future holding company and the operative subsidiary will sign a control and profit transfer agreement. The operative company will still be located in Stuttgart, and the holding will also be located in the Stuttgart region. Decisions regarding the subsidiary and corporate reorganization as well as the control and profit transfer agreement will be made at another shareholders' meeting in June.

The holding company will then be converted into a European public limited company, or "Societas Europaea" (SE). The SE will be a modern and internationally oriented company that, among other things, offers the possibility of keeping the size of the supervisory board at the current twelve members. The structure of the Porsche works and the company's business relationships with suppliers, production and development partners, and dealers will remain unchanged.

According to Wiedeking, increasing Porsche's stake in VW to over 30 percent is important primarily because of the increasing worldwide pressure in the auto industry toward consolidation. Porsche wants to be prepared for the defeat of the VW law, which is widely anticipated. "From this moment on we must have the freedom to act on behalf of VW in case other actors, for example hedge funds, begin pursuing stakes that are not in the best interest of Porsche or VW," says Wiedeking. ◀