

Porsche to get majority stake in VW

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FRANKFURT - Germany's Porsche Automobil Holding SE boosted first-half pretax profit to 1.66 billion euros (\$2.53 billion), four-fifths of which came from its stake in Volkswagen, Europe's biggest carmaker.

The news on Tuesday underscores the importance of VW to sports car maker Porsche, which this week won the green light from its supervisory board to increase its 31 percent voting stake in VW to a majority once it clears any cartel hurdles.

Porsche also confirmed that its options on VW shares ensure such a move will cost it far less than the roughly 10 billion euros that would be required at VW's current market price.

Hedging transactions linked to Porsche's VW stake contributed 850 million euros to first-half earnings, up from 791 million a year earlier, while Porsche's share of VW profits rose to 484 million euros, it said in a statement.

Stripping out those factors, Porsche made 324 million in first-half profit from its own operations, slightly below the average expectation in a Reuters poll of analysts.

The maker of 911 sports cars and Cayenne sport utility vehicles made a pretax profit of 1.34 billion in the year-earlier half that ended in January 2007, it said.

This included 521 million euros in revaluation gains on its VW stake and 272 million euros from its share of VW's profit in the fourth quarter of 2006.

First-half 2007/08 revenues rose 14 percent to 3.49 billion euros, lagging a 19 percent jump in sales to 46,736 vehicles, it said, in line with preliminary figures it gave in January.

Porsche shares were up 0.5 percent at 116.79 euros by 1429 GMT, bucking a 2.7 percent decline in the DJ Stoxx European auto sector index .

Porsche has bought options on VW shares that settle in cash, which means it would still have to go into the market to buy VW stock to gain a majority stake. But the options are well into the money, a spokesman said.

"We have secured a certain strike price to make sure that we get access to Volkswagen at an reasonable or even an attractive price, not the 150 (euros) of today," he said without being more specific.

Porsche, controlled by the family of VW Chairman Ferdinand Piech,

has long been expected to gain majority control of VW after Europe's highest court last year struck down a German law that capped individual shareholders' voting rights in VW.