

VW Shares Soar On Deal To Complete Porsche Merger

The Associated Press

BERLIN (AP) — Shares in Volkswagen AG soared higher on Thursday after Europe's biggest automaker announced a deal to complete the takeover of sports car manufacturer Porsche by the end of the month, which the company said will result in savings of some €700 million (\$880 million) per year.

Volkswagen's shares were up 5.9 percent at €135.75 in Frankfurt trading. The Wolfsburg-based company announced Wednesday night that Porsche will become a fully integrated brand as of Aug. 1 — joining others such as Audi, Volkswagen, Seat, Bugatti, Lamborghini and Bentley.

Volkswagen is to acquire the 50.1 percent in Porsche's capital that it doesn't already hold from holding company Porsche SE for €4.46 billion plus one Volkswagen share. The arrangement allows it to book the acquisition as an internal reorganization, which is advantageous in tax terms.

Porsche failed in an attempt to take over the much larger VW in 2009 — loading itself with debt just as the global economy was entering its deepest recession since World War II following the 2008 financial crisis. Volkswagen emerged on top but the companies' integration had been held up lately by legal issues.

"We will concentrate all our strength on the operative business and the solid, profitable growth of the company," Volkswagen CEO Martin Winterkorn said Thursday, adding that the deal allows the companies to benefit "earlier than planned from the long-term synergies of about €700 million per year."

The chief financial officer, Hans-Dieter Poetsch, said everyone would benefit from the deal because the savings it will produce "will lead to rising profit and so to rising tax payments."

Volkswagen said that integrating Porsche's highly profitable car business would have a positive impact on its earnings — but for this year, charges will largely offset that impact on operating profit.

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