

Porsche Gain Gives VW A Q3 Profit Boost

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FRANKFURT, Germany (AP) — German automaker Volkswagen AG saw net profit rise 58 percent in the third quarter thanks to an accounting boost from its takeover of Porsche.

Operating earnings excluding the merger effects fell, however, and the company cautioned about an uncertain economic environment for the rest of the year.

Even so, it maintained its full year forecast for earnings to equal last year's and sales to be bigger. It also said the full integration of Porsche and its presence in all major regions of the world meant it was in good shape.

Group net profit rose to €11.38 billion (\$14.8 billion) in the third quarter from €7.14 billion in the same period last year. Global sales rose 27 percent to €48.84 billion.

Profits were boosted by gains from the complex deal that made Porsche one of VW's 12 brands. The complex merger resulted in a revaluation of share options and how the Porsche stake is accounted for on Volkswagen's books.

Operating earnings, which exclude financial items such as interest and taxes, as well as the valuation effects of the merger, fell 19 percent to €2.34 billion from €2.89 billion but met analyst expectations. Volkswagen shares traded 3.8 percent higher at €140.50.

Operating earnings give an incomplete view of a company's finances, but are often used by analysts and investors to get a better focus on how the company's core activity is developing.

Analysts have been waiting to see whether German carmakers earnings can continue to skirt the downdraft from the eurozone debt crisis that has walloped consumers in Greece, Spain, Portugal and Italy.

Volkswagen, Daimler, and BMW have reaped fat earnings from strong export sales of more profitable luxury vehicles to the U.S. and China. Daimler reports Thursday and BMW on Nov. 6.

Volkswagen said weak demand was giving automakers less ability to charge more for their product in Europe.

The company also had expenses for launching two new models, the Audi A3 and new Volkswagen Golf, which use a set of common mechanical structures to be shared among vehicles to save costs, dubbed MBQ. The up-front costs should pay off in cheaper manufacturing costs down the road.

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Analyst Max Warburton at Sanford C. Bernstein said the results were "solid" given the Golf changeover and other costs.

Volkswagen had strong sales in the U.S., its home market of Germany and in China, where sales rose 21 percent. It saw tougher markets however in southern Europe, particularly at its Spanish SEAT subsidiary. Spain has an unemployment rate of 25 percent.

CEO Martin Winterkorn said the company remains committed to its "ambitious goals for 2012, despite growing headwinds."

He said the company was well positioned due to its young model lineup, its global presence. The addition of Porsche would also help.

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