

Porsche to pay large dividend thanks to VW stake building

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Porsche is set to pay another large special dividend this year due to huge profits made by the German sports carmaker through its contentious stake building at Volkswagen.

People familiar with the matter said it was "realistic to expect" that the southern German car company would pay a special dividend for the fiscal year 2007/2008, which ended on July 31. They said any extraordinary dividend would presumably be higher than last year.

Then Porsche had paid its preference shareholders - the ordinary shares are fully family owned - an ordinary dividend of €7 a share plus another €15 as a special dividend. In the meantime it has split its shares 10 to one, so the special dividend for the fiscal year 2007/2008 would be likely to be higher than €1.5 a share.

Porsche declined to comment and referred to its full-year results, which are due to be released at the end of November. In the past two years, Porsche has given its shareholders a share in the special profits from its Volkswagen stake and in the financial gains the company made with VW options.

Porsche started to buy Volkswagen's shares three years ago with the help of controversial "creeping takeover" tactics, using options to avoid disclosure of its full stake in VW. The rules for these options are currently under review in Germany after Schaeffler, the family owned ball bearings maker, emulated Porsche's tactics with its move on listed rival Continental, causing an uproar among institutional shareholders.

A rollercoaster ride of Volkswagen's share price has recently prompted Porsche to disclose its full stake, which was close to 75 per cent and thus much larger than the market had expected. After this revelation, Volkswagen's share price ballooned last week. The share price movements at Europe's biggest carmaker are currently being investigated by Bafin, the German financial watchdog.

Porsche has rebutted any allegations of market manipulation and said it consulted Bafin at every step in its takeover of control at VW.

After doubling last week, Volkswagen's share price retreated up to 22 per cent yesterday. This followed a decision by Deutsche Börse, the operator of Frankfurt's stock exchanges, to immediately reduce Volkswagen's weighting in the Dax, the German blue chip index, at 10 per cent. VW's ordinary shares at one point last week had made up more than a fourth of the Dax, distorting its movements.

Porsche made €3.6bn (\$4.5bn) from trading in options in VW for 2006-2007 and only €1bn from making cars, all on revenues of €7bn. As a result, Wendelin Wiedeking, Porsche's chief executive, has been the highest-paid manager in Germany. He is believed to have earned between €60m and €70m.

This year, Porsche's profit before tax is believed to have even exceeded its revenues - even though VWs' recent share price explosion is not included in these figures.

One month ago, the Stuttgart-based company revealed a revenue increase of 1.3 per cent to almost €7.5bn in the fiscal year that ended in July. It will publish its profits at the end of November.

Fonte: Financial Times, London, November 4 2008, Companies & Markets, p. 22.