
Porsche to give Qatar stake in VW

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Reuters reported that Porsche is advancing towards a deal with Qatar to give the Gulf state a shareholding in Volkswagen, a compromise that will clear the way for the car makers to merge.

As per report, Porsche racked up EUR 9 billion of debt trying to swallow its much bigger rival Volkswagen before the financial crisis turned the tables and threatened to unravel the deal.

The luxury carmaker then entered talks with Qatar about selling a stake in Porsche but with Volkswagen now set to dominate the marriage to its debt hobbled partner Qatar's interest has shifted to Volkswagen.

Sources with direct knowledge of the matter said that merger talks are on ice until Qatar decides whether or not to invest. In a bid to save the merger, Porsche is now prepared to surrender its right to buy about a fifth of Volkswagen's voting shares.

Porsche already owns roughly 50% of VW stock. One source with direct knowledge of the matter said that "This is the most likely option."

Second source said that "It looks as if Qatar will buy Volkswagen shares."

Third source said that "Selling the Porsche options would solve the financing problems. They would be the third biggest shareholder in Volkswagen alongside the majority shareholder Porsche. This would not be much different than if they were directly invested in Porsche and through Porsche indirectly invested in VW. He added that Qatar would be keen on getting a blocking minority stake.

A deal with Qatar could put the Gulf state on equal footing with Volkswagen's second biggest shareholder, the state of Lower Saxony. The Qatar Investment Authority could not immediately be reached for comment.

The German state can veto Volkswagen management with its 20% blocking vote now and would be opposed to a deal with Qatar that would water down its influence.

(Sourced from Reuters)

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