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Prosecutors raid Porsche offices

The offices of German luxury carmaker Porsche have been raided by federal prosecutors probing the alleged market manipulation of Volkswagen shares.

The investigation centres on former chief executive Wendelin Wiedeking and finance chief Holger Haerter, who both resigned last month.

The carmaker had built up a stake of 51% in VW in an attempt to launch a takeover of Europe's biggest carmaker.

Porsche denied the accusations and said it would co-operate with prosecutors.

The two carmakers have subsequently agreed to a merger, ending months of bitter feuding, which will take place in 2011.

Failed takeover

"On Thursday morning, officers from Stuttgart prosecutors entered the company's offices with search warrants.

"The prosecutors suspect a breach of public disclosure requirements and market manipulation," Porsche said.

Under Mr Wiedeking, Porsche built up a majority stake in the much larger VW, but failed in its attempt to force a full takeover.

Porsche made huge profits on its VW shares, leading some commentators to describe the firm as a hedge fund with a carmaker tacked on the side.

In fact, the share price rises contributed 6.84bn euros to the company's pre-tax profit of 7.34bn euros in the first three months of this year.

However, the onset of the global economic crisis put paid to the company's attempts to push its shareholding in VW to 75%.



Porsche tried to take over VW before agreeing a merger deal

PORSCHE & VW TIMELINE

March 2008: Porsche says it will take a controlling stake in VW, - upping its holding from 31% to above 50%.

October 2008: VW briefly becomes world's biggest company by market value as its shares surge. It follows Porsche buying VW shares, leaving fewer for hedge funds who needed to buy them to close their positions.

January 2009: Porsche says it plans to lift VW stake to 75%. However this never materialises because of the financial crisis and the slump in the global automotive sector.

May 2009: Porsche and VW agree a merger after weeks of talks. VW later suspends talks - saying constructive negotiations are not possible and that Porsche must reduce its debt.

June 2009: Porsche has request for a 1.75bn euro loan turned - as it struggles to finance the debt it took on as part of its attempts to gain full control of VW.

July 2009: VW says it plans to buy Porsche. The failure of Porsche to takeover VW prompts Porsche chief executive Wendelin Wiedeking and financial director Holger

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As a result of its failed takeover, Porsche was saddled with huge debts.

Family ties

In order to shore up its finances, the carmaker announced last week that the state of Qatar would take a major stake in the company.

Qatar will eventually become the carmaker's third biggest shareholder, behind the Porsche and Piech families and the German state of Lower Saxony.

Under the terms of the merger with VW finally agreed last week, VW will initially buy a 42% stake in Porsche by the end of this year for 3.3bn euros (\$4.7bn; £2.8bn).

The deal means that Porsche will now in effect become the 10th brand in the VW family, joining the likes of Audi, Seat and Skoda.

Haerter to resign.

August 2009: VW and Porsche agreed details under which VW will initially buy a 42% stake in Porsche - ending months of acrimony between the two firms. Final nail in coffin for Porsche's efforts to buy VW.

August 2009: Porsche offices are raided by federal prosecutors.



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