



# Department of Justice

FOR IMMEDIATE RELEASE  
Monday, December 15, 2008  
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CRM  
(202) 514-2007  
TDD (202) 514-1888

## **Siemens AG and Three Subsidiaries Plead Guilty to Foreign Corrupt Practices Act Violations and Agree to Pay \$450 Million in Combined Criminal Fines**

### ***Coordinated Enforcement Actions by DOJ, SEC and German Authorities Result in Penalties of \$1.6 Billion***

WASHINGTON – Siemens Aktiengesellschaft (Siemens AG), a German corporation, and three of its subsidiaries today pleaded guilty to violations of and charges related to the Foreign Corrupt Practices Act (FCPA), the Department of Justice and U.S. Securities and Exchange Commission announced.

At a hearing before U.S. District Judge Richard J. Leon in the District of Columbia, Siemens AG pleaded guilty to a two-count information charging criminal violations of the FCPA's internal controls and books and records provisions. Siemens S.A.- Argentina (Siemens Argentina) pleaded guilty to a one-count information charging conspiracy to violate the books and records provisions of the FCPA. Siemens Bangladesh Limited (Siemens Bangladesh) and Siemens S.A. - Venezuela (Siemens Venezuela), each pleaded guilty to separate one-count informations charging conspiracy to violate the anti-bribery and books and records provisions of the FCPA. As part of the plea agreements, Siemens AG agreed to pay a \$448.5 million fine; and Siemens Argentina, Bangladesh, and Venezuela each agreed to pay a \$500,000 fine, for a combined total criminal fine of \$450 million.

According to court documents, beginning in the mid-1990s, Siemens AG engaged in systematic efforts to falsify its corporate books and records and knowingly failed to implement and circumvent existing internal controls. As a result of Siemens AG's knowing failures in and circumvention of internal controls, from the time of its listing on the New York Stock Exchange on March 12, 2001, through approximately 2007, Siemens AG made payments totaling approximately \$1.36 billion through various mechanisms. Of this amount, approximately \$554.5 million was paid for unknown purposes, including approximately \$341 million in direct payments to business consultants for unknown purposes. The remaining \$805.5 million of this amount was intended in whole or in part as corrupt payments to foreign officials through the payment mechanisms, which included cash desks and slush funds.

From 2000 to 2002, four Siemens AG subsidiaries – Siemens S.A.S. of France (Siemens France), Siemens Sanayi ve Ticaret A.S. of Turkey (Siemens Turkey), Osram Middle East FZE (Osram Middle East) and Gas Turbine Technologies S.p.A. (GTT) – each wholly owned by Siemens AG or one of its subsidiaries, were awarded 42 contracts with a combined value of more than \$80 million with the Ministries of Electricity and Oil of the government of the Republic of Iraq under the United Nations Oil for Food Program. To obtain these contracts, Siemens France, Siemens Turkey, Osram Middle East and GTT paid a total of at least \$1,736,076 in kickbacks to the Iraqi government, and they collectively earned more \$38 million in profits on those 42 contracts. Siemens France, Siemens Turkey, Osram Middle East and GTT inflated the price of the contracts by approximately 10 percent before submitting them to the United Nations for approval and improperly characterized payments to purported business consultants, part of which were paid as kickbacks to the Iraqi government as “commissions” to the business consultants. For the relevant years, the books

and records of Siemens France, Siemens Turkey, Osram Middle East and GTT, including those containing false characterizations of the kickbacks paid to the Iraqi government, were part of the books and records of Siemens AG.

As the charging and plea documents reflect, beginning around September 1998 and continuing until 2007, Siemens Argentina made and caused to be made significant payments to various Argentine officials, both directly and indirectly, in exchange for favorable business treatment in connection with a \$1 billion national identity card project. From the date that Siemens AG became listed on the New York Stock Exchange on March 12, 2001, through approximately January 2007, Siemens Argentina made approximately \$31,263,000 in corrupt payments to various Argentine officials through purported consultants and other conduit entities, and improperly characterized those corrupt payments in its books and records as legitimate payments for "consulting fees" or "legal fees." Siemens Argentina's books and records, including those containing the false characterizations of the corrupt payments, were part of the books and records of Siemens AG.

According to court documents, beginning around November 2001 and continuing until approximately May 2007, Siemens Venezuela admitted it made and caused to be made corrupt payments of at least \$18,782,965 to various Venezuelan officials, indirectly through purported business consultants, in exchange for favorable business treatment in connection with two major metropolitan mass transit projects called Metro Valencia and Metro Maracaibo. Some of those payments were made using U.S. bank accounts controlled by the purported business consultants.

In the charging and plea documents, Siemens Bangladesh admitted that from May 2001 to August 2006, it caused corrupt payments of at least \$5,319,839 to be made through purported business consultants to various Bangladeshi officials in exchange for favorable treatment during the bidding process on a mobile telephone project. At least one payment to each of these purported consultants was paid from a U.S. bank account.

"Today's filings make clear that for much of its operations across the globe, bribery was nothing less than standard operating procedure for Siemens. It should be equally clear that Siemens has undertaken significant remedial measures, instituted real reforms and cooperated from the inception of this investigation," said Acting Assistant Attorney General Matthew Friedrich. "The Department and our international colleagues will continue our efforts to level the business playing field, making it free from corruption and fair to those who seek to participate in it."

"The coordinated efforts of U.S. and German law enforcement authorities in this case set the standard for multi-national cooperation in the fight against corrupt business practices," said U.S. Attorney for the District of Columbia Jeffrey A. Taylor. "To its credit, Siemens has taken extraordinary steps to reveal its long-standing, systemic criminal conduct and it has fundamentally restructured its operations to make them transparent and honest going forward."

"This pattern of bribery by Siemens was unprecedented in scale and geographic reach. The corruption involved more than \$1.4 billion in bribes to government officials in Asia, Africa, Europe, the Middle East and the Americas," said Linda Chatman Thomsen, Director of the SEC's Division of Enforcement. "Our success in bringing the company to justice is a testament to the close, coordinated working relationship among the SEC, the U.S. Department of Justice, and other U.S. and international law enforcement, particularly the Office of the Prosecutor General in Munich."

"Today's announcement of the guilty pleas entered by Siemens AG and several of its regional companies reflects the FBI's dedication to enforce the provisions of the Foreign Corrupt Practices Act," said Joseph Persichini Jr., Assistant Director in Charge of the FBI's Washington Field Office. "Simply stated, it is a federal crime for U.S. citizens and companies traded on U.S. markets to pay bribes in return for business. The FBI will continue to assist its law enforcement partners to ensure that the corporate and business communities are not tarnished with violations of the kind we are presenting here today."

“Complicated schemes involving high finance, bribery and corruption, particularly in the international arena, are often solved most efficiently through a multiple-agency approach to crime fighting,” said Eileen Mayer, Chief of Internal Revenue Service (IRS) Criminal Investigation Division. “As the IRS expands its international presence and impact, we are proud to lend our financial investigative expertise to this formidable multi-agency approach that has culminated with today’s guilty pleas.”

The resolution of the U.S. criminal investigation of Siemens AG and its subsidiaries reflects, in large part, the actions of Siemens AG and its audit committee in disclosing potential FCPA violations to the Department after the Munich Public Prosecutor’s Office initiated searches of multiple Siemens AG offices and homes of Siemens AG employees. Siemens AG and its subsidiaries disclosed these violations after initiating an internal FCPA investigation of unprecedented scope; shared the results of that investigation with the Department efficiently and continuously; cooperated extensively and authentically with the Department in its ongoing investigation; took appropriate disciplinary action against individual wrongdoers, including senior management with involvement in or knowledge of the violations; and took remedial action, including the complete restructuring of Siemens AG and the implementation of a sophisticated compliance program and organization.

Under the terms of the plea agreement, Siemens AG agreed to retain an independent compliance monitor for a four-year period to oversee the continued implementation and maintenance of a robust compliance program and to make reports to the company and the Department of Justice. Siemens AG also agreed to continue fully cooperating with the Department in ongoing investigations of corrupt payments by company employees and agents.

Today, Siemens AG also reached a settlement of a related civil complaint filed by the Securities and Exchange Commission (SEC), charging Siemens AG with violating the FCPA’s anti-bribery, books and records, and internal controls provisions in connection with many of its international operations including those discussed in the criminal charges. Siemens AG agreed to pay \$350 million in disgorgement of profits relating to those violations.

Also today, Siemens AG agreed to a disposition resolving an ongoing investigation by the Munich Public Prosecutor’s Office of Siemens AG’s operating groups other than the Telecommunications group. The charges were based on corporate failure to supervise its officers and employees, and in connection with those charges Siemens AG agreed to pay €395 million or approximately \$569 million, including a €250,000 corporate fine and €394.75 million in disgorgement of profits. In October 2007, in connection with charges related to corrupt payments to foreign officials by Siemens AG’s Telecommunications operating group, the Munich Public Prosecutor’s Office announced a settlement with Siemens AG under which Siemens AG agreed to pay €201 million, or approximately \$287 million, including a €1 million fine and €200 million in disgorgement of profits.

In connection with the cases brought by the Department, the SEC and the Munich Public Prosecutor’s Office, Siemens AG will pay a combined total of more than \$1.6 billion in fines, penalties and disgorgement of profits, including \$800 million to U.S. authorities, making the combined U.S. penalties the largest monetary sanction ever imposed in an FCPA case since the act was passed by Congress in 1977.

The Department and the SEC closely collaborated with the Munich Public Prosecutor’s Office in bringing these cases. The high level of cooperation, including sharing information and evidence, was made possible by the use of mutual legal assistance provisions of the 1997 Organization for Economic Cooperation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, which entered into force on Feb. 15, 1999.

The criminal case is being prosecuted by Deputy Chief Mark F. Mendelsohn and Trial Attorney Lori A. Weinstein of the Criminal Division’s Fraud Section, and by Assistant U.S. Attorney John D. Griffith from the U.S. Attorney’s Office for the District of Columbia. The criminal case was investigated by FBI agents who are part of the Washington Field Office’s dedicated FCPA squad. Investigative assistance also was provided by the Internal Revenue Service – Criminal Investigation.

The Department acknowledges and expresses its appreciation of the significant assistance provided by the staff of the SEC during the course of this investigation. The Department also acknowledges the exceptional help provided, in the form of mutual legal assistance, by the authorities of Germany, including in particular by the Munich Public Prosecutor's Office.

[Siemens AG Letter](#)

[Transcript of Press Conference](#)

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