

SUPPLEMENTAL UPDATE: SIEMENS AGREES TO PAY AN ADDITIONAL €95 MILLION TO SETTLE CORRUPTION CHARGES WITH GERMAN AUTHORITIES; TOTAL PENALTIES EXCEED \$1.6 BILLION

On December 15, 2008, Siemens AG (“Siemens”) agreed to pay an additional €95 million (approximately \$569 million) to settle outstanding corruption charges filed by the German government. Under the settlement, the Munich-based engineering giant agreed to pay €95 million on top of the €201 million in fines that the company already paid to the German government in October 2007 to settle charges over corrupt activities by its telecommunications group in Nigeria, Russia, and Libya. Siemens announced the new agreement shortly after U.S. District Court Judge Richard J. Leon approved an \$800 million settlement among the company, three subsidiaries, the U.S. Department of Justice (the “DOJ”), and the U.S. Securities and Exchange Commission (the “SEC”) to resolve related charges under the U.S. Foreign Corrupt Practices Act (the “FCPA”). In total, Siemens and its subsidiaries have agreed to pay over \$1.6 billion to settle corruption charges filed by U.S. and German authorities.

Siemens’ agreement with German authorities brings to a close the massive investigations by U.S. and German authorities into the company’s activities in various countries around the globe, including Argentina, Bangladesh, China, Iraq, Israel, Mexico, Nigeria, Russia, Venezuela, and Vietnam. During the investigation, which began in November 2006, German authorities discovered rampant corruption in the company’s Power Transmission and Distribution, Power Generation, Medical Solutions, Transportation Systems, and IT Solutions and Services business units. A little over a month ago, Siemens reserved €1 billion in anticipation of settlements with U.S. and German regulators.

As part of the FCPA settlement with the SEC and the DOJ, Siemens also announced the appointment of former German Finance Minister Theo Waigel as a corporate compliance monitor for the next four years. Dr. Waigel is the first foreign national ever to serve as an FCPA compliance monitor. In his role as a monitor, Dr. Waigel will deliver regular reports to the SEC and the DOJ on the company’s compliance with its current anticorruption policies and procedures. The imposition of a four-year compliance monitor is likely to add significant expense to the settlement of the case.

In connection with the settlement, the lead federal agency for U.S. government contracts, the Defense Logistics Agency (the “DLA”), issued a formal determination indicating that Siemens remains a responsible contractor for U.S. government business. The DLA issued the determination based on Siemens’ thorough internal investigation, its remediation efforts, its extensive cooperation with regulatory authorities, and its new and comprehensive compliance program.

The U.S. and German settlements highlight the increasing multijurisdictional nature of anticorruption investigations and the increasingly large penalties that companies face for failure to comply with anticorruption legislation. The highly coordinated resolutions of the cases by the SEC, the DOJ, the DLA, and the Munich Public Prosecutor's Office underscore the extensive cross-border cooperation by regulatory authorities in the United States and Germany. Such cooperation among international investigative and prosecuting authorities is likely to increase their ability to bring global anticorruption enforcement actions in the U.S. and abroad. Notably, although Siemens faced potential debarment based on the criminal charges, the company's internal investigation and enhancements to its compliance program helped it continue to serve as a U.S. government contractor. Siemens could have faced even greater losses had it failed to conduct a thorough internal investigation and implement a comprehensive compliance program.

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