

Legal proceedings - Third Quarter of Fiscal 2007

As previously reported, Munich public prosecutors are conducting an investigation of certain current and former employees of Siemens AG and its consolidated subsidiaries (Siemens or the Company) on suspicion of embezzlement, bribery and tax evasion. Arrest warrants were issued for former and currently suspended employees of our Com business Group who were taken into custody, questioned and later released. In December 2006, the former Chief Executive Officer (CEO) of Com was arrested, questioned and released. Siemens' former Chief Financial Officer (CFO) was interrogated as a suspect by the public prosecutor. Both of these individuals are former members of the Corporate Executive Committee of Siemens.

On March 26, 2007, the Munich public prosecutors conducted further searches of the Company's premises and of private residences in Munich and executed additional arrest warrants for a current and a former employee of Com. The individuals were later released and the current employee has since been suspended. On May 6, 2007, arrest warrants were executed for the CEO and CFO of Siemens Nigeria, who were later released. The Munich public prosecutors' investigation as well as related investigations in Switzerland, Italy, Greece and other countries are ongoing. The Company has learned that Liechtenstein prosecutors have transferred the previously reported investigation to Swiss and Munich prosecutors.

The Company is also aware of several other investigations by authorities in several jurisdictions relating to allegations that certain former and current employees of Com and other Groups as well as certain regional companies made improper payments.

As previously reported, the U.S. Department of Justice (DOJ) is conducting an investigation of possible criminal violations of U.S. law by Siemens in connection with these matters and other allegations of corruption. During the second quarter of fiscal 2007, Siemens was advised that the U.S. Securities and Exchange Commission's (SEC) enforcement division had converted its informal inquiry into these matters into a formal investigation.

As previously reported, the SEC is also investigating possible violations of U.S. law by Siemens in connection with the Oil-for-Food Program. This matter is also a subject of the investigation of the DOJ.

As previously reported, the Company has engaged Debevoise & Plimpton LLP (Debevoise), an independent external law firm, to conduct an independent and comprehensive investigation to determine whether anti-corruption regulations have been violated and to conduct an independent and comprehensive assessment of the

compliance and control systems of Siemens. Debevoise reports directly and exclusively to the Compliance Committee of the Supervisory Board (formerly the Audit Committee, as described below) and is being assisted by forensic accountants from the international accounting firm Deloitte & Touche. Debevoise's investigation of allegations of corruption at Com is ongoing. The scope of the independent investigation also includes an investigation of potential anti-corruption violations at the Company's other Groups and at regional Siemens subsidiaries, which was launched during the third quarter of fiscal 2007.

As previously reported, on February 2, 2007, an alleged holder of American Depositary Shares of the Company filed a derivative lawsuit with the Supreme Court of the State of New York against certain current and former members of the Company's Managing and Supervisory Boards as well as against the Company as a nominal defendant, seeking various forms of relief relating to the allegations of corruption and related violations at Siemens. The suit is currently stayed.

As a result of the above described matters and as a part of its policy of cooperation, Siemens contacted the World Bank and offered to assist the World Bank in any matter that might be of interest to the World Bank. Since that time, Siemens has been in contact with the World Bank Department of Institutional Integrity and intends to continue its policy of cooperation.

In addition to the independent investigation being conducted by Debevoise, the Company has also continued to conduct its own analysis of issues raised by allegations of violations of anti-corruption legislation. As previously reported, within Com a number of Business Consultant Agreements (BCAs) have been identified. We have identified a multitude of payments made in connection with these contracts for which we have not yet been able either to establish a valid business purpose or to clearly identify the recipient. These payments raise concerns in particular under the Foreign Corrupt Practices Act (FCPA) in the United States, anti-corruption legislation in Germany and similar legislation in other countries. The payments identified were recorded as deductible business expenses in prior periods in determining income tax provisions. As previously reported, our investigation determined that certain of these payments were nondeductible under German tax regulations, and accordingly, we have recorded additional income tax charges in our financial statements for fiscal 2006 to reflect the correct tax treatment of these expenses. See Note 36 to the IFRS Consolidated Financial Statements as of September 30, 2006 for a further discussion. The Company has already reported this issue to the German tax authorities.

The current status of the Company's analysis is as follows:

- During the third quarter of fiscal 2007, the Company continued to analyze payments under the BCAs identified at year-end of fiscal 2006 and payments under BCAs subsequently identified at Com. The Company is in the process of completing a Company-wide collection of BCAs, and is currently also conducting an analysis of BCAs and related payments at five other Groups (PG, PTD, TS, Med and I&S). The Company has recently commenced the analysis of BCAs and related payments at the remaining Groups and in selected regional companies. As a result, the Company has identified a significant increase in the total amount

of BCA payments under review. The Company is currently analyzing the deductibility for tax purposes of these payments.

- During the third quarter of fiscal 2007, the Company continued its analysis of cash and check payments at Com which may relate to BCAs, and which may also raise concerns under the FCPA and anti-corruption legislation in Germany and other countries. In the third quarter of fiscal 2007, the Company also commenced internal inquiries regarding similar cash payments at other Groups. As a result of these inquiries, which are ongoing, the Company has to date identified a significant volume of payments for which limited documentation is available, which relate to another Group and were made through a bank account in Liechtenstein. The Company is currently analyzing the deductibility for tax purposes of these payments.
- As a result of the investigations and through cooperation with the public prosecutors, the Company has become aware of additional bank accounts and cash funds at various locations that were not recorded in the Company's balance sheet. The Company is currently investigating the origin and ownership of the assets contained in these bank accounts and cash funds.

Due to the ongoing status of the Company's own analyses described above and the investigations, including the extension of the independent investigation to the other Groups, substantial uncertainties remain. The preliminary financial information as of June 30, 2007 does not reflect any substantial change in tax assets and liabilities with respect to the BCAs and other payments under review. However, the total volume of additional BCA and cash payments that raises potential issues of tax deductibility and that is currently under review by the Company is significantly in excess of the amount of BCA payments under review at year-end of fiscal 2006. Depending on the results of the analyses and investigations, the Company anticipates that changes in tax assets and liabilities, including the recording of additional tax charges in respect of current and prior periods beyond those reflected in our financial statements for fiscal 2006, may be necessary. Such charges, as well as the further results from the ongoing analyses and investigations, could be material both quantitatively and qualitatively for our financial statements.

Siemens currently cannot exclude the possibility that criminal or civil sanctions may be brought against the Company itself or against certain of its employees in connection with possible violations of law, including the FCPA. In addition, the scope of pending investigations may be expanded and new investigations commenced in connection with allegations of bribery and other illegal acts. The Company's operating activities may also be negatively affected, particularly due to imposed penalties, compensatory damages or the exclusion from public procurement contracts. To date, no charges or provisions for any such penalties or damages have been accrued as management does not yet have enough information to reasonably estimate such amounts. Furthermore, changes affecting the Company's course of business or its compliance programs may turn out to be necessary.

The first nine months of fiscal 2007 include a total of €188 million in expenses for outside advisors engaged by Siemens in connection with the investigations into alleged violations of anti-corruption laws and related matters as well as remediation activities.

The Company has taken a number of significant steps to improve its compliance procedures and internal controls in response to the allegations of corruption. Among the initiatives the Company has implemented or is in the process of implementing are:

- The Supervisory Board of the Company has formed a Compliance Committee of the Supervisory Board, which oversees the ongoing investigations and remediation activities of the Company. The Compliance Committee is composed of the members of the Audit Committee of the Supervisory Board and is chaired by the chairman of the Supervisory Board.
- The Managing Board has engaged an external attorney to act as an independent “ombudsman” and to provide a protected communication channel for Siemens employees and third parties.
- The Company is in the process of establishing a Corporate Disciplinary Committee to consider and impose appropriate disciplinary measures in cases where suspicions of violations of law or Company policies, or other misconduct have been substantiated.
- The Company’s office of corporate compliance has been organizationally embedded in the legal department.
- The Company’s audit and compliance departments and an internal task force are continuing their internal analysis and the review of our compliance and internal control system for gaps and any possibilities of circumvention, including by conducting internal control remediation visits in selected regions.
- The Company is in the process of enhancing internal controls through centralization of its bank accounts and cash payment systems.
- The Company has implemented a moratorium on entering into new BCAs as well as new payments under existing BCAs. Any exceptions require the prior written consent of relevant senior management as well as the written consent of the Company’s chief compliance officer based on a review of the agreements in question. As part of this policy, the Company is in an ongoing process of reviewing existing BCAs for purposes of compliance risk in connection with their continued performance. In certain cases, the Company terminated BCAs.
- The Company is in the process of enhancing its anti-corruption policies. The Company has adopted, and is in the process of implementing, a new policy regarding anti-public-corruption compliance. The Company is further developing and implementing anti-corruption policies applicable to specific activities, such as the retention of intermediaries who interact with the government on Siemens’ behalf and the provision of gifts and hospitality.
- The Company is continuing the roll-out of a formal program of anti-corruption and other legal compliance training for management, group and regional compliance officers and other employees.

As previously announced, the former Chief Compliance Officer resigned his post effective July 1, 2007 and the General Counsel has assumed the role of Chief Compliance Officer. The Company is in the process of recruiting a new Chief Compliance Officer.

As previously reported, the Company has engaged an independent compliance advisor in order to consult the Managing Board and the Compliance Committee with regard to the future structure of the compliance organization, the execution of compliance reviews, the

review of related guidelines and controls including potential improvement measures, and the associated communication and training. The independent compliance advisor provides periodic status reports to the Managing Board and Audit Committee.

As previously reported, on February 14, 2007, the Company announced that public prosecutors in Nuremberg are conducting an investigation of certain current and former employees of the Company on suspicion of breach of fiduciary duties (Untreue) against Siemens, tax evasion and a violation of the German Works Council Constitution Act. The investigation relates to an agreement entered into by Siemens with an entity controlled by the former head of the independent employee association AUB (Arbeitsgemeinschaft Unabhängiger Betriebsangehöriger). The prosecutors are investigating payments made during the period 2001 to 2006 for which Siemens may not have received appropriate services in return. The former head of AUB was arrested in February 2007. On March 27, 2007, a second search was conducted at the Company's premises in Munich and an arrest warrant was issued for a member of the Company's Corporate Executive Committee, in connection with this investigation, who was taken into custody. In addition to the member of the Corporate Executive Committee, other current and former members of the Company's senior management were named as suspects in this matter. On April 4, 2007, the member of the Corporate Executive Committee posted bail in the amount of €5.0 million and was released from custody. In this connection, a bank issued a bond (Bankbürgschaft) in the amount of €5.0 million, €4.5 million of which was guaranteed by the Company pursuant to provisions of German law. The member of the Corporate Executive Committee has provided the Company a personal undertaking to cooperate with and fully support the independent investigation conducted by Debevoise and to repay all costs incurred and payments made by the Company in connection with the bank guarantee in the event he is found to have violated his obligations to the Company in connection with the facts under investigation by the Nuremberg prosecutors. The investigation into the allegations involving the Company's relationship with the former head of AUB and AUB has also been included within the scope of the investigation being conducted by Debevoise. On April 2, 2007, the labor union IG Metall lodged a criminal complaint against unknown individuals on suspicion that the Company breached the provisions of Section 119 of the Works Council Constitution Act (Betriebsverfassungsgesetz) by providing undue preferential support to AUB in connection with elections of the members of the Company's works councils.

As previously reported, Italian and German prosecutors have been investigating allegations that former Siemens employees provided improper benefits to former employees of Enel in connection with Enel contracts. In Italy, legal proceedings against two former employees ended when the patteggiamento by the charged employees and Siemens AG (plea bargaining procedure without the admission of guilt or responsibility) entered into force on November 11, 2006. In March 2006, prosecutors in Germany brought charges against two other former employees not covered by the patteggiamento. The Regional Court of Darmstadt has sentenced one former employee to two years in prison suspended on probation on counts of commercial bribery and violation of the company's trust. Another former employee, whose employment with Siemens had ended a few years before the events that formed the basis for the bribery, was sentenced to nine months in prison suspended on probation on counts of aiding and abetting commercial bribery. In connection with these sentences, Siemens AG was ordered to disgorge €38 million of

profits. The prosecutors and both defendants have appealed the decision of the Regional Court of Darmstadt. Siemens AG has appealed the decision with respect to the calculation of the disgorgement amount only.

As previously reported, in April 2007, Siemens and VA Tech filed actions before the European Court of First Instance in Luxemburg against the decisions of the European Commission dated January 24, 2007 to fine Siemens and VA Tech for alleged antitrust violations in the European Market of high-voltage gas-insulated switchgear between 1988 and 2004. Gas-insulated switchgear is electrical equipment used as a major component for turnkey power substations. As previously reported, the fine imposed on Siemens amounted to €396.6 million. The fine imposed on VA Tech, which Siemens acquired in July 2005, amounted to €22.1 million. Furthermore, VA Tech was declared jointly liable with Schneider Electric for a separate fine of €4.5 million. More recently, the New Zealand, South African and Slovak competition authorities informed Siemens about investigations regarding possible antitrust violations in their respective local markets for high-voltage gas-insulated switchgear.

As previously reported, on December 12, 2006, the Japanese Fair Trade Commission (FTC) searched the offices of more than ten producers and dealers of healthcare equipment, including Siemens Asahi Medical Technologies Ltd., in connection with an investigation into possible anti-trust violations. Siemens Asahi Medical Technologies is cooperating with the FTC in the on-going investigation.

As previously reported, on February 8, 2007, Siemens Medical Solutions USA, Inc. (SMS) announced that it had reached an agreement with the U.S. Attorney's Office for the Northern District of Illinois to settle allegations made in an indictment filed in January 2006. The agreement resolves all allegations made against SMS in the Indictment. Under the agreement, SMS has plead guilty to a single federal criminal charge of obstruction of justice in connection with civil litigation that followed a competitive bid to provide radiology equipment to Cook County Hospital in 2000. In addition, SMS agreed to pay a fine of U.S.\$1 million and restitution of approximately U.S.\$1.5 million.

As previously reported, in February 2007, the European Commission launched an investigation into possible anti-trust violations involving European producers of power transformers, including Siemens AG and VA Tech, which Siemens acquired in July 2005. Power transformers are electrical equipment used as major components in electric transmission systems in order to adapt voltages. We are cooperating with the ongoing investigation of the European Commission. The European Commission has not announced a schedule for the completion of the investigation.

As previously reported, in February 2007, the Norwegian Competition Authority launched an investigation into possible anti-trust violations involving Norwegian companies active in the field of fire security, including Siemens Building Technologies AS. We are cooperating with the ongoing investigation of the Authority. The Norwegian Competition Authority has not yet announced a schedule for the completion of the investigation.

As previously reported, on February 8, 2007, the French Competition Authority (Direction Generale de la Concurrence) searched the offices of at least three producers of

suburban trains, including Siemens Transportation Systems S.A.S. in Paris, in connection with an investigation into possible anti-trust violations. Siemens Transportation Systems S.A.S. is cooperating with the French Competition Authority in the ongoing investigation.

As previously reported, in April 2007, the Polish Competition Authority launched an investigation against Siemens Poland regarding possible anti-trust violations in the market for the maintenance of diagnostic medical equipment. We are cooperating with the ongoing investigation of the Authority.

As previously reported, we requested arbitration against the Republic of Argentina before the International Center for Settlement of Investment Disputes (ICSID) of the World Bank. We claim that Argentina unlawfully terminated our contract for the development and operation of a system for the production of identity cards, border control, collection of data and voter registers and thereby violated the Bilateral Investment Protection Treaty between Argentina and Germany (BIT). We are seeking damages for expropriation and violation of the BIT of approximately U.S.\$500 million. Argentina disputed jurisdiction of the ICSID arbitration tribunal and argued in favor of jurisdiction of the Argentine administrative courts. The arbitration tribunal rendered a decision on August 4, 2004, finding that it has jurisdiction over Siemens' claims and that Siemens is entitled to present its claims. A hearing on the merits of the case took place before the ICSID arbitration tribunal in Washington in October 2005. A unanimous decision on the merits was rendered on February 6, 2007, awarding Siemens compensation in the amount of U.S.\$217.8 million on account of the value of its investment and consequential damages, plus compound interest thereon at a rate of 2.66% since May 18, 2001. The tribunal also ruled that Argentina shall indemnify Siemens against any claims of subcontractors in relation to the Project (amounting to approximately U.S.\$44 million) and, furthermore, that Argentina shall pay to Siemens the full amount of the contract performance bond (U.S.\$20 million) in the event this bond would not have been returned within the time period set by the tribunal (which period elapsed without delivery). On June 4, 2007, Argentina filed with the ICSID an application for the annulment and stay of enforcement of the award, alleging serious procedural irregularities. An ad hoc committee will probably be appointed to consider Argentina's application.

Siemens AG and its subsidiaries have been named as defendants in various other legal actions and proceedings arising in connection with their activities as a global diversified group. Some of these pending proceedings have been previously disclosed. Some of the legal actions include claims for substantial compensatory or punitive damages or claims for indeterminate amounts of damages. Siemens is from time to time also involved in regulatory investigations beyond those described above. Siemens is cooperating with the relevant authorities in several jurisdictions and, where appropriate, conducts internal investigations regarding potential wrongdoing with the assistance of in-house and external counsel. Given the number of legal actions and other proceedings to which Siemens is subject, some may result in adverse decisions. Siemens contests actions and proceedings when it considers it appropriate. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which claimants seek substantial or indeterminate damages, Siemens often cannot predict what the eventual loss or range of loss related to such matters will be. Although the final resolution of these matters could have a material effect on Siemens' consolidated operating results for any reporting period in which an

adverse decision is rendered, Siemens believes that its consolidated financial position should not be materially affected by the matters discussed in this paragraph.

This document contains forward-looking statements and information – that is, statements related to future, not past, events. These statements may be identified by words as “expects,” “looks forward to,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “will” or words of similar meaning. Such statements are based on our current expectations and certain assumptions, and are, therefore, subject to certain risks and uncertainties. A variety of factors, many of which are beyond Siemens’ control, affect its operations, performance, business strategy and results and could cause the actual results, performance or achievements of Siemens worldwide to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For us, particular uncertainties arise, among others, from: changes in general economic and business conditions (including margin developments in major business areas); the challenges of integrating major acquisitions and implementing joint ventures and other significant portfolio measures; changes in currency exchange rates and interest rates; introduction of competing products or technologies by other companies; lack of acceptance of new products or services by customers targeted by Siemens worldwide; changes in business strategy; the outcome of pending investigations and legal proceedings; our analysis of the potential impact of such matters on our financial statements; as well as various other factors. More detailed information about our risk factors is contained in Siemens’ filings with the SEC, which are available on the Siemens website, www.siemens.com, and on the SEC’s website, www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement as expected, anticipated, intended, planned, believed, sought, estimated or projected. Siemens does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated.