



Siemens's Offices Searched on Embezzlement Suspicions (Update3)

By Simon Thiel

Nov. 15 (Bloomberg) -- Siemens AG, Europe's largest engineering company, said police searched company buildings and private residences of employees at 30 German locations as authorities suspect managers may have embezzled company funds.

About 200 policemen and 20 public prosecutors started the raid this morning to investigate allegations of embezzlement of funds at Siemens's fixed-line phone unit, Anton Winkler, a prosecutor in Munich, said by telephone today. Munich-based is ``fully cooperating'' with the authorities, spokesman Andreas Schwab said.

The raids may further damage Siemens's image after Chief Executive Officer Klaus Kleinfeld came under fire from German media and politicians for a planned pay raise and the former mobile-phone division, which Siemens handed to Benq Corp. last year, filed for insolvency. Siemens employees are required to comply with company guidelines as specified in their contracts, Siemens said today.

``The Benq issue, the planned pay increase for management and now the bribery allegations are rather a problem for the public image of Siemens and Kleinfeld,'' said Michael Busse, an analyst with Helaba Trust in Frankfurt. ``For the capital markets, it's rather important that the company meets its financial targets.''

Busse, who rates Siemens ``buy,'' said the economic progress of Siemens isn't adequately acknowledged by the public because of the public outcry over other issues.

The allegations against six former and current employees involve a ``low two-digit'' million-euro sum, and Siemens acts as a witness in the case, the company said in a statement today.

Some Siemens employees may have used the funds to bribe potential customers and win orders for the company, German magazine Der Spiegel reported on its Web Site today. Both Winkler and Schwab declined to comment on the report.

Shares of Siemens rose 60 cents, or 0.8 percent, to 75.30 euros in Frankfurt. The stock is up 18 percent in a year.

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