

Daimler To Pay \$185 Million To Settle Bribery Investigations

Pete Yost, Associated Press Writer

WASHINGTON (AP) — Car manufacturer Daimler AG will pay \$185 million to settle criminal and civil investigations in which the company is accused of paying tens of millions of dollars in bribes to officials of at least 22 foreign governments over the course of a decade, two people familiar with the deal said Tuesday.

Filings in federal court in Washington said the German-based company and three of its subsidiaries engaged in the misconduct from 1998 to 2008 in countries that included China, Russia, Egypt and Greece.

The payments allegedly were aimed at helping secure contracts with government customers for the purchase of Daimler vehicles valued at hundreds of millions of dollars.

Daimler AG will avoid indictment when two of its subsidiaries enter guilty pleas in federal court April 1, according to the two people knowledgeable about the outcome of the five-year probe. They spoke on condition of anonymity because the deal still must go before a federal judge.

The settlement includes paying \$93.6 million to the Justice Department and \$91.4 million to the Securities and Exchange Commission, the two people said.

In New York, a Daimler spokesman, Han Tjan, said the company will not say anything about the case until the hearing April 1.

According to the court papers, Daimler provided a \$300,000 birthday gift to an official in Turkmenistan — an armored Mercedes Benz S-class passenger car. The company participated in the oil-for-food program in Iraq, allegedly paying kickbacks to officials of a government ministry in exchange for obtaining business. Wedding gifts went to the children of a senior official in Indonesia from a local Daimler affiliate, the court papers added.

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Daimler AG and three of its subsidiaries were charged with conspiracy and with violating the Foreign Corrupt Practices Act, which prohibits improper payments to

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officials of other countries.

Under a previous name in the late 1990s, Daimler AG merged with U.S.-based Chrysler Corp. DaimlerChrysler several years ago sold Chrysler to private equity firm Cerberus Capital Management.

Daimler engaged in a long-standing practice of paying bribes through the use of offshore bank accounts, deceptive pricing arrangements and third-party intermediaries, according to the court filing. It said that the bribe payments often were described inside the company as commissions, special discounts or "necessary payments."

Daimler wired the improper payments to U.S. bank accounts or to the foreign bank accounts of U.S. shell companies in order to transmit the bribe, the Justice Department asserted in the court papers filed Monday, but not disclosed until Tuesday.

The papers said that in at least one instance, a U.S. shell company was incorporated for the specific purpose of entering into a sham consulting agreement with Daimler in order to conceal improper payments routed through the shell company to foreign government officials.

The subsidiaries of Daimler AG that were charged are Daimler Export and Trade Finance GmbH, DaimlerChrysler China Ltd. and DaimlerChrysler Automotive Russia SAO. The Russian subsidiary and the German subsidiary will plead guilty to conspiracy, the two people said.

The German subsidiary made improper payments to Croatian officials to secure a contract for fire trucks, the court papers said. Daimler, through its Russian subsidiary, was accused of making improper payments at the request of Russian government officials or their designees to secure business from Russian government customers.

Daimler and its Chinese subsidiary typically inflated the sales price of vehicles sold to Chinese government customers and then deposited the money in the "819" account — for the last three digits of the account number — to make improper payments to Chinese government officials, the court papers said.

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