

## **Report on the compensation of the members of the Board of Directors as basis of information for the resolution with regard to item 8 of the agenda on the approval of the compensation system for the members of the Board of Directors according to Section 120 (4) German Stock Corporation Act (AktG)**

### **Introduction**

This report on the compensation of the Board of Directors ("Report") outlines the principles that are applied to the determination of the compensation of the Board of Directors of Wincor Nixdorf Aktiengesellschaft and describes the amount and the structure of the remuneration of the Board of Directors. This Report is based on the compensation report for the fiscal year 2008/2009, which is part of the annual report for the fiscal year 2008/2009. For the purposes of this Report, the compensation report for the fiscal year 2008/2009 was insofar refined as under item 7 of the agenda a new share-based payment program will be submitted to the Annual General Meeting for approval. It is planned that this share-based payment program as well as the subsequent changes of the long-term variable compensation of the Board of Directors will also be included in the resolution on the approval of the system of compensation for the Board of Directors. The changes intended for the new share-based payment program (as compared to the previous program) are made to take into account the requirements of the Act on the Appropriateness of Management Board Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG), which entered into force on August 5, 2009. The requirements changed by the VorstAG regarding the compensation of the Board of Directors will also be taken into account when renewing or concluding new service contracts with members of the Board of Directors.

In addition to this Report, we refer to the compensation report on the compensation system for the fiscal year 2008/2009, which is prepared in compliance with the recommendations of the German Corporate Governance Code (in the version of June 18, 2009) and includes information which, in accordance with the requirements of German commercial law, amended by the Act on the Disclosure of Management Board Compensation (Gesetz über die Offenlegung der Vorstandvergütungen – VorstOG) of August 3, 2005, forms an integral part of the notes to the group financial statements pursuant to Section 314 of the German Commercial Code (Handelsgesetzbuch – HGB) or group management report pursuant to Section 315 HGB.

### **Compensation system for the Board of Directors**

#### **Determination of the compensation**

The Supervisory Board of Wincor Nixdorf Aktiengesellschaft determines the total compensation of the individual members of the Board of Directors on the proposal of its Personnel Committee, which is in charge of the service contracts of the members of the Board of Directors. In addition, the Supervisory Board regularly reviews and resolves on the compensation system for the Board of Directors and the appropriateness of the total remuneration of the individual members of the Board of Directors, including the essential elements of his/her service contract.

#### **Total compensation**

The determination of the compensation of the members of the Board of Directors of Wincor Nixdorf Aktiengesellschaft is based on the size and the global presence of the company, its economic and financial situation and on the amount and the structure of the management board compensation of comparable foreign and German companies. In addition, the duties and the contribution of the respective member of the Board of Directors are taken into consideration. In future, the same applies to the performance of the respective member of the Board of Directors, which was introduced in Section 87 (1) sentence 1 German Stock Corporation Act (AktG) as an additional criterion in accordance with the VorstAG. The compensation structure is designed in such way that it is competitive within the international market for highly qualified executives and provides incentives for a successful work for a sustainable company development in a high-performance culture. In order to ensure the

horizontal comparability of the compensation of the Board of Directors, Wincor Nixdorf Aktiengesellschaft regularly takes part in compensation comparisons both within its industry and with other M-DAX companies. When determining the compensation of the Board of Directors, the scale of compensation and the compensation system within the Wincor Nixdorf Group are also taken into account (verticality).

The Board of Directors' compensation is performance-based and comprises the following four components:

- a) Fixed basic salary plus fringe benefits
- b) Variable compensation contingent upon the attainment of specific targets (bonus) (performance based component)
- c) Share-based compensation (long-term incentive component) and
- d) Pension commitment.

This composition of the total compensation remains admissible even according to the requirements of the VorstAG. Currently, the percentage of the fixed salary in the total target remuneration of the Board of Directors (including pension commitments) ranges between 37% and 39% of the total compensation, the percentage of the short-term variable compensation ranges between 30% and 35% of the total compensation and the percentage of the long-term variable compensation ranges between 26% and 33% of the total compensation. The percentage of the variable compensation in the total compensation is subject to fluctuations that are inherent to the system and depends on the economic development of the company. Due to the high variable component of the compensation, the total compensation of the members of the Board of Directors working in that time period has almost halved from the fiscal year 2006/2007 to the fiscal year 2008/2009. In addition, it developed in accordance with the share price.

In view of the fact that this system has proven its worth in the past, the individual components of the total remuneration shall generally be left unchanged. However, literature and case law have not yet established a homogenous opinion regarding the percentage for allocating the remuneration components. In light of this fact, the Supervisory Board will presumably investigate prior to the end of the fiscal year 2009/2010 whether it is necessary to adjust the percentage shares of the individual components in the total compensation, among others, in order to ensure market conformity and the competitive nature of the compensation of the members of the Board of Directors.

### **Fixed basic salary**

The fixed basic salary, the fringe benefits and the pension commitments represent non-performance based components. The fixed basic salary is paid in monthly installments of equal amounts. The fringe benefits mainly comprise the contributions to accident and third party liability insurances and the provision of a company car. In addition, pension commitments have been made vis-à-vis all members of the Board of Directors of Wincor Nixdorf Aktiengesellschaft. A detailed description of the pension commitment may be found under the section "pension commitments" in the compensation report for the fiscal year 2008/2009, which is an integral part of the annual report for the fiscal year 2008/2009.

### **Short-term variable compensation**

The performance-based, variable compensation in the form of a bonus is contingent upon the attainment of specific targets, which are set out in the service contracts. They are based on EBITDA (earnings before interest, taxes, depreciation of property and amortization of intangible assets) and the net income of the group. Each target is weighted in the same way and settled separately. If the agreed budget per target is attained in full (100%), the respective member of the Board of Directors receives 100% of his/her annual fixed basic salary as a bonus. If a member of the Board of Directors falls short of his/her agreed budget

by no more than 20%, the bonus is reduced on a straight-line basis. If the target achievement only amounts to 80%, the respective member of the Board of Directors receives 25% of the agreed bonus. If the target achievement of one of the two targets amounts to less than 80%, the entitlement to a bonus does no longer apply. In such case, the Supervisory Board decides on the granting as well as the amount of any bonus in its due discretion. If the targets are attained by 120%, the bonus amounts to 175% of the fixed basic salary of the respective member of the Board of Directors. It has been contractually agreed that the variable compensation may not exceed 200% of the respective annual fixed basic salary. All targets aim at increasing the corporate value. In the Supervisory Board meeting of September 23, 2008, the targets to be applied as a basis for calculating the bonus amounts payable for the fiscal year 2008/2009 were specified. The targets to be applied as a basis for calculating the bonus amounts payable for the fiscal year 2009/2010 were specified in the Supervisory Board meeting of September 22, 2009. The bonus is paid in December of each year after the group financial statements have been approved by the Supervisory Board.

### **Long-term variable compensation**

The members of the Board of Directors receive share options as long-term incentive component of the compensation. The number of the share options to be issued is determined in the service contracts of the members of the Board of Directors on an individual basis. The conditions of exercise for share options granted to members of the Board of Directors are identical to the conditions of exercise for other entitled persons (regarding the calculation/determination of the number of share options granted to the members of the Board of Directors, please see "Additional targets for members of the Board of Directors").

### **Annual remuneration**

The fixed basic salary and the variable compensation determine the so-called annual target remuneration. The non-performance based and the performance-based compensation components are composed individually and relate to all duties of the members of the Board of Directors within the group. For further information on the annual remuneration of the members of the Board of Directors in the fiscal year 2007/2008 and the fiscal year 2008/2009, please refer to the compensation report for the fiscal year 2008/2009, which is part of the annual report for the fiscal year 2008/2009.

### **Share-based compensation (long-term incentive component)**

For further information on the share-based compensation for the fiscal year 2008/2009, please refer to the compensation report for the fiscal year 2008/2009, which is part of the annual report for the fiscal year 2008/2009.

### **The new share-based payment program**

Under item 7 of the agenda, a new share-based payment program will be submitted to the Annual General Meeting for approval. This program, inter alia, serves the purpose to take into account the requirements of the VorstAG. There are no statutory requirements regarding the composition of the long-term variable compensation promoting sustainability. In literature, various concepts are being discussed. In the past, Wincor Nixdorf Aktiengesellschaft used share options as a long-term compensation component for the Board of Directors and other executives. After a thorough analysis of the possible alternatives and the interpretation of the statutory requirements, the Supervisory Board has, therefore, resolved to continue this long-term compensation component. The share options are well-established within the entire group and well accepted by the executives. In the interest of a compensation system for executives that is as uniform as possible, it is intended to continue to use share options as compensation component for both members of the Board of Directors and other executives.

In the following, the differences of this share-based payment program 2010 as compared to the previous share-based payment program, in particular the 2009 tranche, will be described.

Just as the previous programs, the share-based payment program 2010 stipulates as a requirement for exercising the option that a private investment in company shares at a ratio of 1:10 is made. This means that one company share must be held by an entitled person for exercising 10 awarded options. Thus, a high, long-term variable compensation component entails a high private investment. In order to grant especially to those entitled persons who just commenced their work for Wincor Nixdorf some time to build up their private investment with adequate funds, the proof of ownership of the shares held within the scope of the private investment must in future generally be made within two (2) years after the acquisition of the option, unless otherwise specified by the company. The entitled persons may use options already held at the time of exercise or shares purchased within the two following years as private investment. Proof of the private investment will be provided pursuant to a procedure yet to be determined by the company. The entitled persons will be notified of this procedure in due time prior to the commencement of the acceptance period. The shares used for the private investment must at least be held until the end of the exercise period (period of 10 stock exchange trading days commencing on the first stock exchange trading day following the expiry of the holding period of four years after the award).

In accordance with the statutory requirement specified in Section 193 (2) no. 4 German Stock Corporation Act (AktG), which has been amended by the VorstAG, the holding period and the term of the share option will be extended to four years. The share options can be exercised once at the end of the term within a period of 10 stock exchange trading days, starting with the expiry of the period of four years.

The exercise price per share corresponds to the value at the outset plus a premium of 12% (twelve percent) as performance target. Distributions, in particular dividend payments and any subscription rights or other special rights must be taken into account during the term of the respective share option (total shareholder, return approach).

The value at the outset is the unweighted average price of the company's share in the closing auction of XETRA trading system (or a system replacing XETRA) on the Frankfurt Stock Exchange over the 30 (thirty) stock exchange trading days directly preceding the respective issue of share options.

### **Additional targets for members of the Board of Directors**

For the first time, the method described above will be used for the calculation of the number of share options for the 2011 tranche. For the 2010 tranche, a certain number of share options has already been promised in the service contracts prior to the effective date of the VorstAG. This promise is subject to a corresponding resolution to be adopted with regard to item 7 of the agenda at the Annual General Meeting scheduled for January 25, 2010.

In view of the share-based payment program and its focus on ensuring the long-term and sustained development of the company, the following additional parameters are applicable to members of the Board of Directors: From the outset, the calculation of the amount of share options of the annual tranche to be awarded to the members of the Board of Directors will be based on the premise that the respective member of the Board of Directors will only receive the full amount, i.e. 100% of the target value ("Target Remuneration"), of this component of the compensation for the Board of Directors if the share reaches an average performance of 6% p.a. over the entire four-year term of the share option. The performance of the share takes account of both the development of the share price and the dividend (dividend yield). This basically means that the success of a shareholder's investment in the Wincor Nixdorf share serves as the benchmark for this compensation component. Once it has been calculated in the above manner, the number of share options cannot be changed subsequently. If the performance of the share falls short of 6% p.a. on average over the entire four-year term of the share option, this results in a lower compensation from this component. If the performance of the share exceeds 6% p.a. on average over the entire four-year term of the share option, this results in a higher compensation from this component.

The adopted approach links the interests pursued by the Board of Directors to the shareholders' interests in a sustained performance and takes due account of share price advances and distributed dividends.

The 12% premium on the value at the outset applicable to all participants in the share-based payment program and the additional target of an average 6% share performance p.a. over the four-year term of the share option applicable to the Board of Directors set an ambitious performance target that meets the requirements set forth in Section 4.2.3 of the German Corporate Governance Code.

The share options are issued in annual tranches. It is intended to include a provision in the service contracts of the members of the Board of Directors obligating them for the term of their service contracts concluded with Wincor Nixdorf Aktiengesellschaft to acquire the share options awarded to them in a certain year in their entirety. Factually speaking, this provision stipulating the obligatory participation of the members of the Board of Directors in the annual tranches of the share-based payment program sets an annual target for the members of the Board of Directors because the issuance and exercise of two tranches of the share-based payment program overlap in terms of time. The period of authorization for the issuance of the option relating to a new tranche and the exercise period of a preceding tranche overlap to a large extent. While a high stock market price in the exercise period would be attractive in terms of the exercise of share options already issued, it also represents an ambitious target for the new tranche of the share-based payment program. This structure, therefore, does not constitute an incentive for the Board of Directors to pursue a short-term stock market price strategy.

As described above, the subscription for each tranche includes the obligation to make a private investment. In accordance with the statutory provisions, members of the Board of Directors are appointed for a maximum period of five years. Due to the statutory extension of the waiting period for share options to four years, members of the Board of Directors must be able to exercise share options even after their service contracts have terminated because, generally speaking, an early (pro rata) payment of the outstanding share options would (according to current literature) not comply with the new regulation as specified in Section 87 (1) sentences 2 and 3 German Stock Corporation Act (AktG).

Pursuant to the requirements set forth in Section 87 (1) sentence 3, second part of the sentence German Stock Corporation Act (AktG), the service contracts of members of the Board of Directors must provide for a restriction of their profits in case of extraordinary developments. Furthermore, it is intended to ensure by means of suitable provisions in the service contracts that the long-term variable compensation does not inappropriately exceed the target compensation. For this reason, contracts are supposed to allow for subsequent adjustments if the long-term variable compensation exceeds three times the total amount of the annual target remunerations of the respective member of the Board of Directors over a five-year period.

As regards the D&O insurance policy, a policy excess for members of the Board of Directors that is in line with the statutory requirements as set forth in Section 93 (2) sentence 3 German Stock Corporation Act (AktG) will be agreed with effect as of July 1, 2010.

### **Pension commitments**

For further information on the pension commitments regarding the members of the Board of Directors, please refer to the compensation report for the fiscal year 2008/2009, which is part of the annual report for the fiscal year 2008/2009.

### **Miscellaneous**

For further information on severance payments in the event of contract termination, resignation or removal and the continued payment of remuneration in case of permanent incapacity to perform their duties as agreed in the service contracts for the members of the

Board of Directors, please refer to the compensation report for the fiscal year 2008/2009, which is part of the annual report for the fiscal year 2008/2009.

**Paderborn, in December 2009**

**Wincor Nixdorf Aktiengesellschaft**

***The Board of Directors***

***The Chairman of the Supervisory Board***