

DECLARATION BY THE BOARD OF DIRECTORS.

The Board of Directors of Wincor Nixdorf Aktiengesellschaft, Paderborn, is responsible for compiling the consolidated financial statements and the Group management report.

The consolidated financial statements have been compiled in accordance with German Accepted Accounting Principles and International Financial Reporting Standards (IFRS). The Group management report is consistent with the consolidated financial statements.

Reporting conformity and compliance with statutory requirements are ensured at the instruction of the Board of Directors through the establishment of effective internal control systems within the entities included in the consolidated financial statements. In addition, training and education initiatives ensure that the employees responsible for these activities are able to fulfill the requirements made of them. The observance of directives and regulations and the reliability and proper functioning of control systems are subject to continuous checks performed by means of internal auditing.

Together with reporting procedures that are conducted in accordance with uniform directives across the Group, these measures ensure that the numeric depiction of business activity corresponds to the entity's actual circumstances and that the Board of Directors is in a position to identify changes in business and financial performance, as well as any resultant risks to the Company's asset and financing positions, at an early stage.

The risk management systems established for use within the Group ensure, in accordance with legal requirements, that developments potentially able to pose a risk to the continued existence of Wincor Nixdorf Aktiengesellschaft

and the Wincor Nixdorf Group are identified in good time and that corrective action can be taken where relevant. This also creates the basis for accurate information in the consolidated financial statements and Group management report, including the separate company accounts that they contain.

The Board of Directors is committed to the goal of continuously increasing the value of Wincor Nixdorf. The Group is managed and run under the principles of sustainable business management in the interests of shareholders and in awareness of its responsibility to employees, society and the environment in all countries in which Wincor Nixdorf operates.

The Board of Directors and the Supervisory Board of the Company have passed a joint declaration of compliance, pursuant to Article 161 of the German Stock Corporation Act, with the recommendations of the German Corporate Governance Code.

The consolidated financial statements and Group management report have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft in accordance with the resolution passed by the Annual General Meeting of Shareholders and the instructions issued by the Supervisory Board. The consolidated financial statements, the Group management report and the auditor's report were discussed in detail by the Supervisory Board's Finance Committee, with the auditors in attendance. The Supervisory Board's report contains details of the outcome of these deliberations.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft has issued an unqualified audit opinion.

The Board of Directors of
Wincor Nixdorf Aktiengesellschaft

WINCOR NIXDORF AG GROUP MANAGEMENT REPORT.

COMPANY PROFILE.

Wincor Nixdorf Group ("Wincor Nixdorf" or the "Group") is one of the leading global providers of IT solutions for retail banking and the retail sector. Our head office and much of our production are based in Germany. At the same time, Wincor Nixdorf is a truly international organization. Our overseas business has grown consistently in recent years and now accounts for about 70% of our net sales. The Group is represented in more than 90 countries. In 34 of these, we have our own subsidiaries. Key production sites are located in Paderborn, Singapore and Shanghai. Our comprehensive services and sales network allows us to manage our operations in the major overseas markets efficiently and successfully.

Our products and solutions are geared toward optimizing the business processes of our customers in the branch networks of the banking and retail sectors. Within this context, one of our prime objectives is to offer customers best-in-class solutions irrespective of where they are

located around the globe. Our product portfolio comprises hardware, software, consultancy and IT services. The main focus of our products is on reducing the costs and complexity of business processes and providing the best possible service. At the same time, we ensure that our products can be easily integrated into the existing IT and data structures of the target company as a whole.

We view our greatest strength in being able to offer networked solutions that cover entire business processes. We combine hardware, software and IT services to meet the specific requirements of our customers. Successful examples of this approach are our Cash Management system (for branch-based cash handling), IT Enterprise Management (for optimization of IT management and control) and a range of security solutions to meet branch IT requirements. Our efforts do not stop there, however. On request, we can also take over responsibility for the operation of customers' IT processes on the basis of an outsourcing agreement. In doing so, we assume responsibility for processes that are beyond the scope of a bank's core business. The key benefits

of this approach are that we are able to create more flexible cost structures, streamline capital expenditure by providing state-of-the-art solutions in line with technological advance and further enhance the level of system availability.

The expertise we gain from our core business in the banking and retail sectors can be extended to our activities in other sectors. Our customer base now includes lottery companies, service station operators and restaurant chains, as well as postal and logistics companies with extensive branch networks.

Further information on our competitive position and our key sales markets can be found in the sections on "Strategy, Targets and Value Management at Wincor Nixdorf" on pages 61 et seq. and "Regional Performance" on pages 69 et seq.

Within the retail banking sector, Wincor Nixdorf provides a wide range of services that include branch restructuring, process automation and migrating customer-related business processes to self-service systems, such as ATMs, information and transaction terminals and statement printers. We can provide software that will operate not just our own self-service systems but also those of other manufacturers (multivendor capability). We have also developed a net-centric software solution (ProClassic/Enterprise) that combines self-service systems with other sales channels such as the Internet or telephone banking on a single platform allowing the banks to standardize customer service across all their sales channels.

Wincor Nixdorf's innovations in the retail sector include hardware and software solutions for branch automation such as self-checkout, electronic shelf labeling and reverse vending machines, as well as electronic point-of-sale (ePOS) systems with the required sales software. Our products also focus on the integration of branch systems into the retailer's overall IT infrastructure. This integration involves pro-

viding solutions that can manage and control the logistics chain (supply & demand) and optimize the value chain, while ensuring that the services offered by the branch are aligned with customer requirements (ECR = Efficient Consumer Response). In some countries, Wincor Nixdorf is also involved in the IT and Business Consulting field with an emphasis on SAP.

So that banks and retailers can concentrate fully on their operating business, Wincor Nixdorf offers a comprehensive service portfolio to ensure the availability of systems over the entire product life cycle. The support we offer ranges from telephone helplines to on-site service management and global spare-parts logistics.

MANAGEMENT AND CONTROL OF THE COMPANY BY THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD.

Board of Directors. The Board of Directors of Wincor Nixdorf AG is made up of four members: Karl-Heinz Stiller (President and Chief Executive Officer), Eckard Heidloff (Executive Vice President), Stefan Auerbach and Jürgen Wilde.

The Board of Directors is responsible for managing the company and for ensuring that business is conducted in accordance with legal requirements, Wincor Nixdorf AG's Articles of Association and the Rules of Procedure of the Board of Directors. The central focus of all decisions and actions is on protecting the interests of the Company. All resolutions are taken by simple majority. Where the votes are split, the vote of the President/Chief Executive Officer is counted twice. Certain transactions require the approval of the Supervisory Board. These are defined in the Rules of Procedure of the Board of Directors.

It is the role of the Board of Directors to determine the strategic direction of the company in conjunction with the Supervisory Board and then to implement the corresponding policies in a responsible fashion. The Board of Directors also monitors the effectiveness and efficiency of the measures taken throughout the Company. Wincor Nixdorf aims to provide a better service to its customers than its competitors and to achieve sustained growth in the value of the enterprise. Planning, control and risk management systems are consequently given a high management priority and are the means by which the Company's operations are controlled.

The Board of Directors maintains regular, prompt and detailed contact with the Supervisory Board on all relevant issues of planning, business trends and the current risk situation. All departures from agreed plans or established targets are reported and explained to the Supervisory Board.

Supervisory Board. The role of the Supervisory Board is to monitor the activities of the Board of Directors. The powers of the Supervisory Board are prescribed by law, the Articles of Association, the Rules of Procedure for the Supervisory Board and any resolutions of the Supervisory Board itself. The Supervisory Board and the Board of Directors work together on the basis of mutual trust in the best interests of the Company.

In accordance with the Codetermination Act (1976), the Supervisory Board of Wincor Nixdorf AG is made up of twelve members. Six members represent the shareholders and a further six members represent the workforce.

Decisions of the Supervisory Board are adopted by resolution. These are passed by a simple majority of the votes cast, except where the law stipulates a different majority requirement. If the votes are split on the Supervisory Board, a second vote is taken on the same proposal. If this second vote is also split, the Chairman's vote is counted twice.

The Supervisory Board established a Mediation Committee, pursuant to Section 27 (3) of the Codetermination Act, as well as a Personnel Committee and an Audit Committee, all of which are comprised of members of the Supervisory Board. The Chairman of each committee reports back to the Supervisory Board on a regular basis (no later than the next full meeting) on the key results of the committee's discussions.

The Personnel Committee is made up of four members – two representatives of the shareholders and two representatives of the workforce. The Chairman of the Supervisory Board, Johannes P. Huth, also holds the position of Chairman of the Personnel Committee. The function of the Personnel Committee is to prepare the ground for decisions of the Supervisory Board in relation to employees, in particular the appointment and removal of members of the Board of Directors and the nomination of the President/Chief Executive Officer. The Personnel Committee may itself decide on certain transactions instead of the Supervisory Board. In such cases, it must have due regard for the requirements of the law and the provisions of the Supervisory Board's Rules of Procedure.

The Audit Committee is also made up of four members. As the Personnel Committee, it includes two representatives of the shareholders and two representatives of the workforce. The Chairman of the Audit Committee is Hero Brahms. The Audit Committee prepares the decisions of the Super-

visory Board with regard to the approval of the annual accounts and adoption of the consolidated financial statements. It conducts a prior check of the annual accounts, consolidated financial statements, management reports and proposals for the appropriation of profits. The Audit Committee also supports the Supervisory Board in monitoring the management of the Company and ensures compliance with the risk and opportunity management system.

The remuneration of the Supervisory Board and the shareholdings of its members are published in the Company's annual report. The duties of the Supervisory Board are performed on the basis of a consensus approach between shareholder and employee representatives.

Members of the Supervisory Board receive fixed annual compensation payable at the end of the fiscal year. For further details on Supervisory Board compensation as well as remuneration of the Board of Directors, please refer to the section entitled "Related Parties" in the Notes to the Group Financial Statements.

STRATEGY, TARGETS AND VALUE MANAGEMENT AT WINCOR NIXDORF.

Successful Strategy for Continued Growth. Wincor Nixdorf aims to continue its profitable expansion as one of the three leading global providers of IT solutions for the branch operations of retail banking and retail trade and to capture an additional share of the market (see page 62 on our market position). Our strategy is based on three key objectives:

- We develop our core business and core competencies.
- We expand our global operations.
- We exploit new potential for growth.

Wincor Nixdorf has pursued this strategy from the very beginning. As well as guiding our actions within the business arena, it provides a measure for the continued development of the Company. Thanks to the consistent implementation of this strategy, Wincor Nixdorf has been able to make continuous progress in terms of market position and business development, as well as continuous increase of net sales and operating profit in recent years.

Developing Our Core Business and Core Competencies. A key element of Wincor Nixdorf's core business involves servicing the branch activities of the banking and retail sectors. Our strength lies in combining hardware with software and support services and in developing solutions that meet the needs of the market and of our customers. All our solutions are based on open standards, thus facilitating smooth integration into our customers' existing IT environments. One of our principal aims is to build on this specific advantage over our competitors. In order to achieve this objective, we focus on the development of our own products, software and services and exploit new market potential.

In terms of products, Wincor Nixdorf specializes in the area of self-service, automation and ePOS systems. The focus here is on the development, production and marketing of innovative high-end solutions. Our aim is to establish Wincor Nixdorf as a high-quality provider in this market by offering innovative solutions. We have also set up an interconnected global manufacturing system and have standardized products and processes so that we can respond cost-effectively to increasing customer demand in line with market requirements.

We expect the share of net sales provided by Solutions/Services to increase to 50% over the long term. Growth in this area is mainly driven by the worldwide expansion of

product-related services, the outsourcing of complete self-service and branch networks as well as device application software for the integration of business processes or of multifaceted sales channels.

Our customers' central requirement is for maximum availability of their systems and solutions, while at the same time ensuring that costs are kept as low as possible throughout the entire lifetime of those solutions. We meet these needs by providing a comprehensive range of services that span the entire value chain and by offering our banking and retail customers branch system software that has been developed using a net-centric approach. By applying this methodology, we can simplify software distribution and maintenance and thus reduce costs.

In addition to operating software for individual systems and networks, we offer our customers software that can be used in conjunction with hardware and IT services to bring about considerable improvements in customer transaction processes. An example of this is our Cash Management software, which optimizes cash logistics at our customers' premises.

In order to promote further growth in the IT services business, we are building up our international resources in this field and extending our customer support network. At the same time, we are continuously expanding and updating our services portfolio and extending it into other related sectors. We now provide IT services for lottery terminal solutions and for the reverse vending machines developed to accept returned beverage containers.

Global Business Expansion. Over the last few years, Wincor Nixdorf has seen strong growth particularly in Europe as a provider of integrated solutions. We aim to strengthen our global market position still further and work our way up from our current third place to take the lead in

our particular segments. The share of overall ATM and ePOS transactions can be taken as a useful indicator of the current market position. As a means of pooling and leveraging our strengths in individual countries, we have developed our "Road to the Top" program across the entire Group to provide examples of best practice on ways of improving our market position. In the medium term, we aim to strengthen our core business and achieve market leadership in Europe. We have already reached this target in the retail sector. Within the European banking industry we currently occupy the number two position. Target markets identified for accelerated growth include Asia and the Americas, our main focus being on the United States. To this end, at the beginning of the fiscal year under review, we made a number of new appointments at senior management level with particular responsibility for these regions. Their role is to coordinate our activities in these areas, pool our existing resources and achieve specific targets for attracting and binding strategically important customers.

One of the key elements of our international expansion is our global production concept. By manufacturing our products on site, we can ensure that we establish a close rapport with customers in these growth areas and provide a fast and cost-efficient service. Equally, by increasing investment in user-focused development, we can meet the specific needs of our customers.

We are also exploiting further potential for international growth through our Services business and by establishing a worldwide service network. The work required to achieve this has already been largely completed in Europe, while we will expand our service network in the Americas and Asia.

Exploiting Further Potential for Growth. We are extending our range of products and services, with the purpose of exploiting further potential for growth. Over the last fiscal year, our outsourcing operations in the branch banking sector and our reverse vending machines for used beverage containers in the retail industry provided good examples of our success in unlocking new opportunities. At the same time, we are applying the expertise we have gained in branch banking and retail to other related but smaller sectors such as lottery companies, service stations, restaurant chains, and postal organizations with large branch networks. This allows us to benefit from further potential growth without losing sight of our core business.

ACHIEVING SUSTAINED GROWTH IN VALUE.

Wincor Nixdorf's primary goal is to achieve sustained growth in the value of the enterprise. This strategy requires us to think ahead and plan for the long term. The criteria we use to measure this sustained growth in value are gains in profitability, innovative products and solutions, returns that meet our market expectations and the creation of new and secure jobs.

Wincor Nixdorf aims to achieve continued growth in net sales and profits, above the industry average. Across the board, the Group's targets are expressed in such a way that all our actions and processes are geared toward achieving profitable growth within the Group.

Our remuneration system is characterized by a high proportion of variable salary components. It is applied to all areas from production through to management.

Both operating and non-operating business within the Wincor Nixdorf Group is controlled by means of a series of financial and non-financial indicators that feed into a central indicator control system at Group level. These indicators are carefully matched and interconnected. We measure the success of each region, of our sales and associated companies, our core segments Banking and Retail, our hardware and Solutions/Services, our production and development divisions and our central administration departments.

The indicators we use to determine the performance of regions, sales companies and the core segments Banking and Retail are primarily based on growth in net sales and profit, operating margin and cash flow. Operating performance is also measured using profit drivers such as growth in product sales and growth in the solutions business, comprising software, consultancy and services. Other indicators include gross profits and margins, selling, general and administration expenses and working capital.

We control and evaluate our global production and development network on the basis of key performance indicators that are intended to achieve the most efficient use of resources. We also evaluate quality, supplier reliability and stockturn.

In the case of our central administration departments, we ensure that, as far as possible, annual increases in input costs are offset by productivity gains and economies of scale.

Our non-operating business is controlled by value-based indicators with a particular focus on the financial result (finance costs minus finance income) and the Group's effective tax rate.

All of these operating and non-operating elements flow into the calculation of the earnings per share indicator. This indicator reflects the overall performance of the Group and compares the profit attributable to equity holders of Wincor Nixdorf AG with the average number of Wincor Nixdorf shares outstanding.

The starting point for all management and control processes is strategic planning. First of all, a heavily condensed multi-year business plan is prepared at Group level, focusing on potential growth and profit drivers. This plan is then used to establish medium-term objectives for the core segments Banking and Retail. At the same time, we determine which sectors merit ongoing investment.

Subsequently, the objectives of the multi-year plan are applied to our sales and associated companies, business streams products and solutions, production and development divisions, and to those operations involving direct contact with and support for the customer. It also serves as the basis for establishing budget targets as part of our operational planning. These are then firmed up by means of an iterative process.

During the planning process, wherever differences emerge between the Group's objectives and the views of the planning teams involved, we aim to reconcile them through our "Road to the Top" growth program and the "ProImprove" program aimed at boosting profitability.

As part of operational planning, we compile a portfolio of opportunities and threats that forms the basis of our operational risk and opportunity management as well as our risk-based evaluations conducted by the internal auditing unit.

Monthly rolling forecasts are produced to gauge progress toward our targets and to identify any departures from the agreed plan. These forecasts allow us to take appropriate measures at an early stage wherever required. Our planning, monitoring and reporting processes are clearly mapped out using integrated information systems, which assure the continuous management and control of our business units. The information systems are also used to produce relevant analyses across the different organizational units and information systems. These results flow into the decision-making process and can provide valuable support if action is needed to counteract potentially harmful developments.

BUSINESS ENVIRONMENT.

Impact of Legal and Economic Factors on the Business. In fiscal 2005/2006, Wincor Nixdorf's business activities were affected by the requirements of European Directives 2002/95/EC dated January 27, 2003 (RoHS) and 2002/96/EC dated January 27, 2003 (WEEE) as well as the corresponding national legislation (for Germany the ElektroG Act of March 16, 2005). During the course of fiscal 2005/2006, Wincor Nixdorf introduced a comprehensive set of measures to implement the provisions relating to prohibited and waste materials and other requirements of the above directives and laws.

The second phase of the Leergut-Rücknahmeverordnung, a regulation governing the return of empty beverage containers, acquired legal force in Germany on May 1, 2006, with the prohibition of arrangements whereby the retailer will only take back its own goods. This means that retailers who sell returnable deposit cans, PET or one-way bottles

will be obliged to take back not only their own used items but also those of other providers. In the fiscal year under review, this led to a corresponding increase in demand for reverse vending machines in the German market. Wincor Nixdorf was able to prepare itself for this eventuality by expanding its portfolio.

The economic factors that are currently affecting and may in future affect our activities are described in detail in the Risk Report from page 90.

Global Economic Trends. Overall, the global economy showed continued strong growth over the last fiscal year. Following the successful performance in 2005, it is expected that 2006 will generate further growth. The International Monetary Fund (IMF) has increased its forecast for world economic growth in 2006 to 5.1% from 4.8%. In spite of this positive outlook, the IMF has nevertheless drawn attention to the increased risks caused by global imbalances. Above all, economic growth could be dampened by spiraling oil and raw materials prices and higher inflation, especially in the U.S.

Overall economic performance in the Eurozone was also positive. In its interim report, the Organization for Economic Cooperation and Development (OECD) raised its forecast for growth in 2006 to 2.7% from 2.2%. The Eurozone has benefited from an increase in domestic demand and a reduction in unemployment in the major economies France and Germany. For the first time since 2001, the unemployment rate in the twelve member states of the currency union fell to below 8%, while in the second quarter of 2006 and for the first time in years the Eurozone economy reported higher growth than the United States.

Germany was one of the main drivers of economic growth in Europe. The German economy grew faster than at any time over the last five years. Real Gross Domestic Product (GDP) in the second quarter of 2006 was 1.0% higher than for the same period in 2005, according to the Federal Statistics Office. The Kiel Institute for the World Economy has increased its forecast for GDP to 2.4% from 2.1%, while the OECD now expects growth of 2.2% up from 1.8%.

2006 has seen a significant slowdown in the U.S. economy. GDP growth fell off in the second quarter to 2.6%, whereas in the first quarter the economy had grown at the equivalent of 5.6% per year, according to the U.S. Trade Department. Inflationary pressures in the world's biggest economy remain high. The core rate of inflation (based on the consumer price index but excluding energy and food) rose by 2.7% – the biggest increase since the beginning of 2001. The first-quarter increase was 2.1%.

Strong growth was again reported in Asia. The Asian Development Bank (ADB) predicts that the region's economies will grow by an average of 7.7% in 2006, with particularly high growth levels expected in China and India. The ADB expects Chinese GDP to grow by 10.4%.

(Sources: International Monetary Fund [IMF], Organization for Economic Cooperation and Development [OECD], Kiel Institute for the World Economy, Asian Development Bank [ADB])

Currency Trends. The euro has appreciated against the U.S. dollar over the last twelve months. At the beginning of fiscal 2005/2006, one euro was worth around 1.20 U.S. dollars. Following a setback in November 2005, when it fell to under 1.17 U.S. dollars, the euro had reached its highest level of 1.29 U.S. dollars by the end of May 2006. At the end of the fiscal year, it had fallen back to just under 1.27 U.S. dollars.

Developments in the Banking and Retail Sectors.

In addition to a range of other industry-specific challenges, both the retail banking and retail trade sectors faced continued cost pressures and increasingly stiff competition for customers.

Against this background, both sectors are striving to develop the quality of their range of products and services to respond more flexibly to changing market conditions and to overcome business risks. Existing business processes are continuously reviewed to identify possible scope for optimization. IT-based hardware products, software and IT services have a crucial role to play in achieving these objectives. Increasingly, business processes are being automated and moved over to a customer self-service basis. With a view to keeping their integration and coordination costs as low as possible, these sectors tend to prefer manufacturers that can offer everything from a single source. Investments are evaluated over the entire life cycle of the hardware and software. As well as the actual purchase price, these investments cover the costs incurred for operation and the maintenance of availability (total cost of ownership or TCO). As a result of the increasing complexity and more challenging control of business processes, a trend has emerged toward the outsourcing of specific subprocesses, such as IT operations and IT management, to external service providers.

From a regional perspective, both the retail banking and retail trade sectors face distinctive competition in the established markets of Germany, Western Europe and North America. Positive economic developments in these regions favor and accelerate investment in existing sales channels. Both sectors are also expanding their operations, extending their business models and investing in the fast-growing regions of Eastern Europe, Asia, the Middle East and Latin America.

During the fiscal year under review, the global retail banking sector successfully consolidated its position and attractiveness as a stable source of earnings within the **banking industry**. An international study of 41 retail banks (16 in the Eurozone, 15 outside, five in China and five in North America) carried out by the consultancy firm Capgemini highlighted the growing importance of Internet-based sales and service concepts. It also confirmed the strong position held by branches in the proactive marketing of products for which customers require more detailed advice.

According to the survey, more and more customer services are being transferred to the Internet. Equally, the ATM, which was at the forefront of the drive to rationalize branch activities, has maintained its vital role in presenting information about banking services and offering new services.

The challenge faced by the retail banks is how to expand their business strongly while keeping costs under control. In many countries, they also have to compete with specialist providers such as direct banks or consumer credit banks. These organizations have specialized in particular core aspects of the retail banking business. They offer a range of inexpensive core products and are able to keep their operating costs down since they have either a small branch network or no network. Especially in the U.S. and Western Europe, the number of "off-premises" providers offering independent, self-service banking at busy sites is growing rapidly.

Traditional retail banks have responded to these challenges by expanding their range of products and services through their existing sales channels. In some countries, this expansion has led to a reduction of the branch network. Customers' requirements are handled instead through alternative sales channels and self-service arrangements. Given the intense competition, however, most retail banks still regard the branch as a key factor that distinguishes them from other providers. Many banks have begun to invest in their branch networks and reposition them with a stronger sales team geared toward personal contact with customers (a form of "branch renaissance"). This is particularly the case in Western Europe and North America. The aim is to exploit their existing customer base to generate more potential business (cross selling). This involves examining and providing for the customer's entire range of requirements through all the bank's sales channels (multichannel integration). According to a market study by Capgemini, 88% of the banks surveyed plan to invest substantially in staff training in order to promote this type of proactive selling, while 85% intend to continue with the automation of existing business processes to reduce costs and a further 50% aim to expand their existing branch network.

It is also worth noting the banks' investments in the expansion of their alternative sales channels and the low charges for their use. This is intended to help win over customers to these methods of providing services.

A study of 865 banks throughout the world, conducted by the consultancy firm Accenture in collaboration with the e-finance lab at Frankfurt University, also reveals that branch business is regarded as increasingly important when it comes to capturing new market share. There is a particular emphasis on the benefit of personal contact. Banks are focused on optimizing current working processes in order to disburden their branch staff. Equal importance is given

to the integration of all existing sales channels to obtain a more holistic view of potential customer requirements. According to a study conducted by Accenture, retail banks still operate at high vertical integration to provide their range of services. The study outlines potential savings within this area, citing the automotive industry as an example of reducing vertical integration.

According to a study of trends about IT investments in the delivery channels of the retail banking sector, conducted by the market research firm IDC, the retail banks' total spending in this area in 2006 will reach approximately US\$26 billion (on hardware, software and IT services in North and Latin America, Western Europe and Asia/Pacific). It is estimated that in 2006 around 47% of this volume will go toward investments in branch process automation, 19% toward investments to ATMs, 19% toward call centers and approximately 15% toward Internet selling.

Developments in the **retail trade** continue to be dominated by globalization, competition for market share and price wars. The need to be cost-efficient, provide better customer support and offer new products and services is becoming increasingly important as retail firms strive to distinguish themselves from their competitors.

IDC predicts overall average annual growth in IT investments for the worldwide retail trade of 6% between 2006 and 2010. It expects to see average annual growth of 4.9% in hardware, 7.6% in software and 6.0% in IT services. It believes total expenditure on IT in 2006 will be US\$59.2 billion, with US\$20.6 billion being spent on hardware, US\$14.6 billion on software and US\$24.0 billion on IT services.

The tough competitive environment entails the introduction of more automation and self-service solutions. Many large retail firms are actively seeking new concepts that will allow them to implement self-service systems in the checkout area (self-checkout). Various approaches are being tried in the different regions and across sales channels. In contrast to the U.S., where the scan & bag solution (a form of self-checkout where the goods are packed into bags once they have been scanned) is preferred, no single self-checkout solution has yet come out on top in Europe. In addition, mobile solutions are being deployed.

The continuing trend toward software that can be used in an international context and across the whole range of a company's operations is now expanding to include more and more small and medium-sized businesses, with a particular focus on the central management of a range of branch processes. At the same time, these branch solutions must be capable of expansion to include central management and communications components.

There is also an increasing trend toward process standardization in the field of cashless transactions, especially as a result of the European Union's SEPA (Single Euro Payment Area) initiative. SEPA aims to create a single, Europe-wide payment zone in which there are no differences between national and cross-border payments. In response to this initiative, Wincor Nixdorf has developed a standardized and flexible international payment interface (O.P.I. – Open Payment Initiative) to implement the concept. Using O.P.I. reduces dependence on checkout and payment solutions to a minimum and therefore offers considerable flexibility in view of changing market demands.

The issue of security is becoming increasingly important with regard to payment transactions. Chip & PIN solutions – a method of payment that is secured by means of a chip and a PIN – have been particularly successful in the U.K.: payment involves transferring the data from an integrated chip on the card and entering a PIN. Following the example of the banking industry, where biometric identification has already been undergoing assessment for many years, German retailers have now tested similar methods for use in payment transactions, e.g. fingerprint identification.

The supply and removal of cash also involve significant security risks. Because the process is very cost-intensive, increasingly more retail companies are testing and expressing an interest in cash management solutions. The aim of cash management is to optimize the movement of cash from the checkout to the bank.

In Germany, new legislation on one-way deposit systems (the prohibition of arrangements whereby the retailer will only take back its own goods) is creating strong demand for reverse vending machines. This area also expanding internationally with Scandinavia leading the way in recent years.

GROUP BUSINESS PERFORMANCE.

At the start of fiscal 2005/2006, Wincor Nixdorf assumed that net sales would increase by 8% and that EBITA would lift by 10%. The Banking segment was forecast to grow at a more pronounced rate than the Retail segment. Activities abroad and stronger business in Germany should boost sales. We projected a further increase for both our product business and also, at a stronger rate, for our Solutions/Services business.

Our expectations were already surpassed after the first few months of the fiscal year. This was due in particular to business in Western and Eastern European countries and significantly improved performance in the German market. In addition, our product business grew much more dynamically than anticipated.

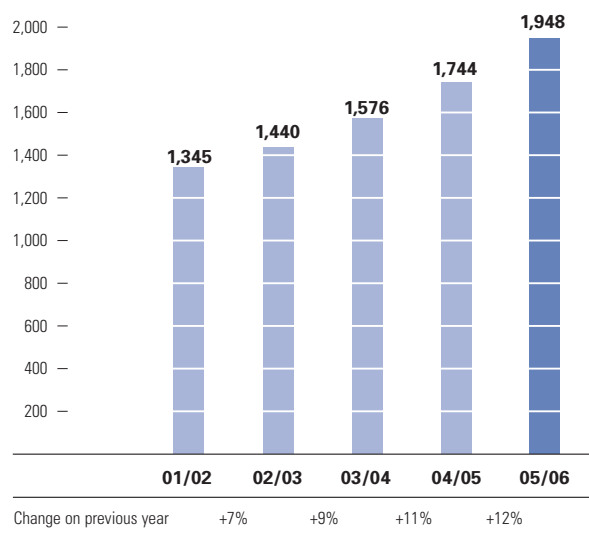
Against this background, we revised our forecasts upward when we published our results for the first half. We lifted our net sales forecast to 10% from 8% and our EBITA forecast to 15% from 10%.

This positive trend continued in the second half of the fiscal year, thus reinforcing our adjusted forecast. On announcing our results for the first nine months, we outlined that the forecasts for net sales and EBITA represented the lower threshold for our results in fiscal 2005/2006.

Net Sales. Consolidated net sales enjoyed a double-digit percentage increase in the fiscal year under review, emulating the performance seen in fiscal 2004/2005. Net sales increased by 12% to €1,948 million (previous year: €1,744 million). This increase was attributable almost exclusively to organic growth.

Net Sales History.

€m



After adjustment for changes in the EUR/USD exchange rate, sales growth totaled 11%.

Regional Performance. Sales growth was bolstered by a strong international performance as well as satisfactory business within Germany.

After an extended period of stagnation, Wincor Nixdorf was able to increase its net sales in Germany by 11%. Net sales totaled €569 million (previous year: €513 million). The ratio of business generated in Germany to total net sales stands at 29%. Strong sales in Germany's Banking segment were primarily driven by Wincor Nixdorf Portavis GmbH's outsourcing business, while the Retail segment benefited from an investment boost in reverse vending machines.

In Europe (excluding Germany), net sales increased by 10% to €992 million in fiscal 2005/2006 (previous year: €902 million). The European region (excluding Germany) constitutes the bulk of the Group's total sales at 51% (previous year: 52%). The "Road to the Top" program aimed at global business expansion has made a major contribution to this success. Wincor Nixdorf aims to become the market leader in the European region – a goal the company already achieved in the Retail segment.

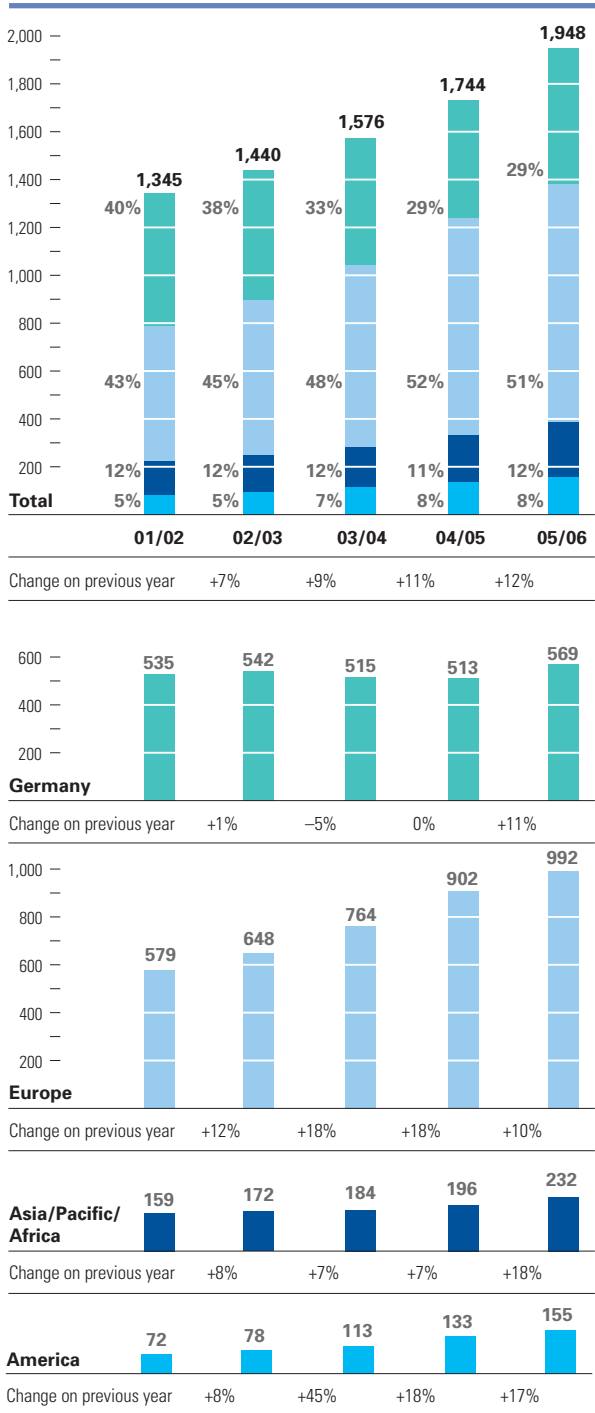
Business in Asia/Pacific/Africa recorded a solid level of growth in the Banking segment. This region, which also forms part of the dollar zone, enjoyed year-on-year sales growth of 15% in U.S. dollars. Calculated on the basis of euros, this represents an 18% increase in net sales to €232 million (previous year: €196 million). Overall, this figure accounts for 12% of the Group's total net sales (previous year: 11%).

Net sales in U.S. dollars were up 13% in the Americas in fiscal 2005/2006. In euros, sales increased by 17% to €155 million (previous year: €133 million). The Americas currently account for 8% (previous year: 8%) of the Group's total net sales.

Performance by Business Stream. Our **product business** enjoyed better-than-expected growth in the period under review. Net sales increased by 12% to €1,157 million (previous year: €1,032 million). The ratio of net sales from product business to total net sales remained constant year on year at 59% (previous year: 59%).

Product business was characterized by significantly stronger demand for premium-priced high-end systems and particularly buoyant demand for less complex systems, which bolstered economies of scale.

Changes in Regional Sales Profile. €m



Against this background, the global development and production facilities were further enhanced during the fiscal year just ended. Lower production costs, consistently high product quality and short lead times made a significant contribution to reinforcing our product business. The plant in Shanghai was expanded. As regards products destined for the Asian market, our Singapore-based facility produced ATMs and kiosk systems for the first time in fiscal 2005/2006. This allowed us to slash delivery times. This "local-for-local" production concept has also been successfully implemented at our São Paulo production facility.

Germany (Paderborn, Arnstadt) is of central importance in our global production network as a technology supplier for mechatronic components as well as recycling and deposit systems. In addition, Paderborn provides logistics support for the European market.

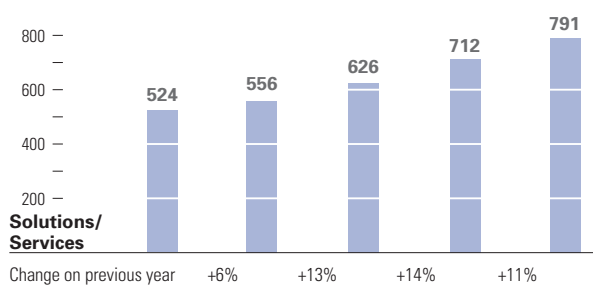
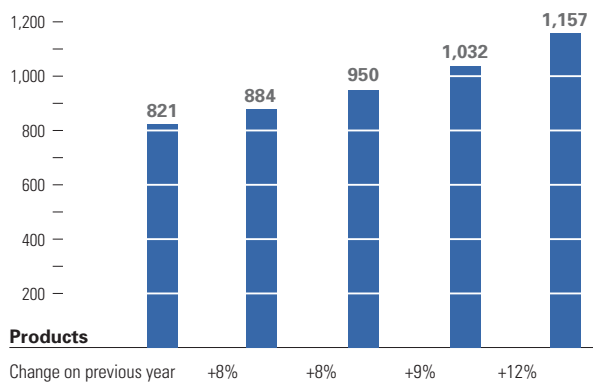
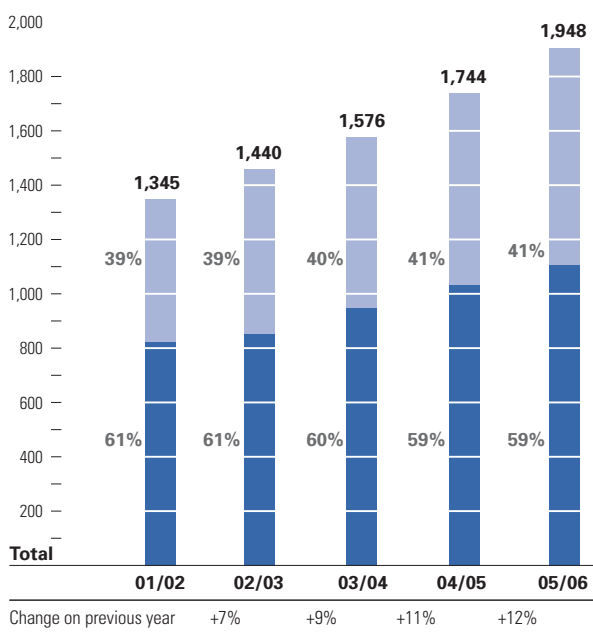
For a global production network to operate effectively, all processes must be covered by standardized IT systems – from market rollout to product delivery and quality management. As a result, our uniform IT platform was expanded and improved for all of our production facilities during the year under review. Within this context, standardized Key Performance Indicators (KPIs) allow process control and corresponding improvements in efficiency.

We recorded double-digit percentage growth within the area of **Solutions/Services**, as we did already a year earlier. Net sales increased by 11% to €791 million (previous year: €712 million).

However, this growth is not reflected in the proportion of Solutions/Services business to total net sales. As in the previous year, Solutions/Services accounted for 41% of total net sales. This is due to the fact that growth levels in net sales were virtually identical within both our product and our Solutions/Services business. Therefore, the respective percentages calculated on the basis of total net sales

Net Sales Split: Products and Solutions/Services.

€m



remained unchanged year on year. Over the long term, we are looking to grow the Solutions/Services share of our business at an accelerated pace to around 50% of total net sales.

We have further reinforced our global network of local solutions competence centers, with the purpose of expanding our Solutions/Services business. This move will allow us to ensure that we can implement, update and integrate solutions worldwide within our customers' IT landscapes. Close collaboration on the ground also ensures that we are directly involved in the ongoing development of our customers' business processes and are thus able to offer them new solutions.

In both the Banking and Retail segments, openness, stronger internationalization and the expansion of our software solutions to include new functions were top priorities in the fiscal year under review.

The multichannel software architecture ProClassic/Enterprise, which guarantees banks investment protection and flexibility, has become more established. Indeed, in the period under review, it was installed in several networks operated by major banks. Thus, we were able to further consolidate our already strong position in middleware for retail banks. In addition, we have already received initial follow-on orders linked to these installations. Demand was also strong for the installation of software to operate multi-vendor ATM networks. We again received several orders from large international banks for these applications. We were also successful with our software for the remote monitoring of self-service systems (ProView). For the first time, banks based outside of Germany ordered this software to control processes for assisted self-service solutions.

We have moved closer to our claim of being a global provider of end-to-end solutions for retail branches by

securing key orders from major international operators within this area. At the same time, our in-store solutions have been extended to include additional functions to operate new, automated checkout concepts as well as features for the centralized analysis of business data.

Our Services business was able to continue its above-average growth from the past year. The bulk of this stemmed from a formidable performance in Germany as well as strong growth in the rest of Europe and Asia.

In the period under review, Wincor Nixdorf took several measures to drive its internationalization still further. We strengthened our resources already existing within the Company in Western European countries, in particular, and expanded capacity in Eastern Europe via service partners.

In Asia/Pacific/Africa, which together with the U.S. is the region with the highest growth potential for Wincor Nixdorf's Services business, we also formed new service partnerships and reinforced our own service organization in China, Malaysia and Thailand.

In the Americas, we drove ahead with expanding our own service organization in the U.S. In Central and South America, work commenced on the establishment of a service network.

Product-related services generally constitute the bulk of Wincor Nixdorf's business, in particular services that are combined with the purchase of self-service or POS systems for a specified period of time (packaged services). Additionally, demand for services focusing on preventive maintenance of IT infrastructures, applications and databases by means of centralized remote monitoring and control (remote services) was particularly buoyant.

Multivendor services as well as transaction-based invoicing models also contributed to our success. The service

fee for these invoicing solutions is based on how often the self-service systems are used. This allows the costs to be invoiced where they actually arise.

Increasingly, we are "industrializing" our service offering in order to offer infrastructure services, remote services, IT outsourcing and business process outsourcing services on a competitive basis. In other words, we standardize and automate the services we offer in order to generate economies of scale and consistently high quality.

One example of this is our "eServices Platform," which Wincor Nixdorf deploys to offer its services in an increasing number of countries. Disruptions to the connected IT systems are reported automatically, and the subsequent service processes, interfaces, and procedures are managed on a consistent basis, benefiting customers and partners alike. This approach is particularly suited to large multinational corporations requiring uniform IT infrastructures and transparent processes. The "eServices Platform" enables services to be managed efficiently using agreed indicators (Key Performance Indicators).

Our Services business also benefited from the trend toward outsourcing subprocesses to service providers. Operating according to schedule, Wincor Nixdorf optimized major **outsourcing projects** already under way relating to branch IT structures at banks in the year under review. In addition, we began other projects at the start of the fiscal year (for example Wincor Nixdorf Portavis GmbH, Hamburg, Germany).

Demand for **managed services** has enjoyed excellent growth. These service packages are centered around operational concepts for entire branch IT infrastructures at banks and retail companies. This area covers the control, monitoring and software distribution for self-service systems (for example ATMs), POS systems, clients, server and applications.

Costs. Wincor Nixdorf is committed to improving its cost structures on an ongoing basis. The Group-wide "Prolmprove" profit enhancement program provides the foundation for efficient cost management. Selling, general and administration expenses, including other operating income and expenses, amounted to €287 million (previous year: €272 million). Calculated in relation to net sales, selling, general and administration expenses were reined back by 0.9 percentage points to 14.7% in the fiscal year under review (previous year: 15.6%).

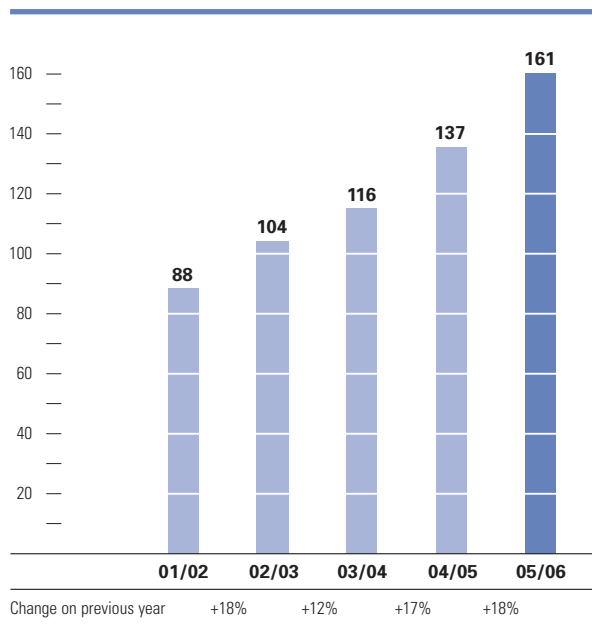
With a highly effective cost management system in place, we succeeded in more than offsetting the 0.4 percentage point reduction in gross margin, before amortization of product know-how, to 27.5% (previous year: 27.9%). This deterioration in the gross margin was mainly due to start-up costs for outsourcing projects and international expansion.

Research and development costs rose by €9 million to €87 million (previous year: €78 million) and were thus up 12% year on year. The ratio of R&D expenses to net sales remained unchanged at 4.5%.

Profit. Earnings before interest, and amortization (EBITA) of product know-how increased yet again in the period under review. Wincor Nixdorf thus further improved its earnings strength in fiscal 2005/2006. EBITA before amortization of product know-how increased by 18% and totaled €161 million (previous year: €137 million). Return on sales at EBITA level was up 0.4 percentage points to 8.3% (previous year: 7.9%). This excellent performance was the combined result of the rise in net sales, economies of scale in products and the "Prolmprove" profit enhancement program.

EBITA History.

€m



We counter exchange rate fluctuations that could have adverse effects on profit through comprehensive natural hedging techniques such as vendor selection and location-related decisions. We also make use of financial derivatives.

The financial result (finance costs minus finance income) was dominated by expense items. The net result was €13 million (previous year: €20 million). This includes interest expenses for pension obligations of Wincor Nixdorf International GmbH in the amount of €4 million (previous year: €7 million), which were reported as finance costs prior to the establishment of the Contractual Trust Arrangement (CTA) effective from June 30, 2006.

Since the establishment of the CTA, income and expenses attributable to pension obligations are recognized as functional costs. In fiscal 2005/2006, €3 million interest costs for pension obligations, €21 million (previous year: €1 million) actuarial losses from changes in interest rates and

other parameters, as well as returns from plan alterations of €9 million (previous year: €0 million) and returns of plan assets of €3 million (previous year: €1 million) were recognized as functional costs.

Profit before taxes increased by €37 million or 41% to €128 million (previous year: €91 million). The Group's effective tax rate in the fiscal year under review was 36% (previous year: 39%).

Net profit for the period increased by €26 million or 46% to €82 million in the fiscal year under review (previous year: €56 million). Thus, net profit for the period improved to 4.2% (previous year: 3.2%).

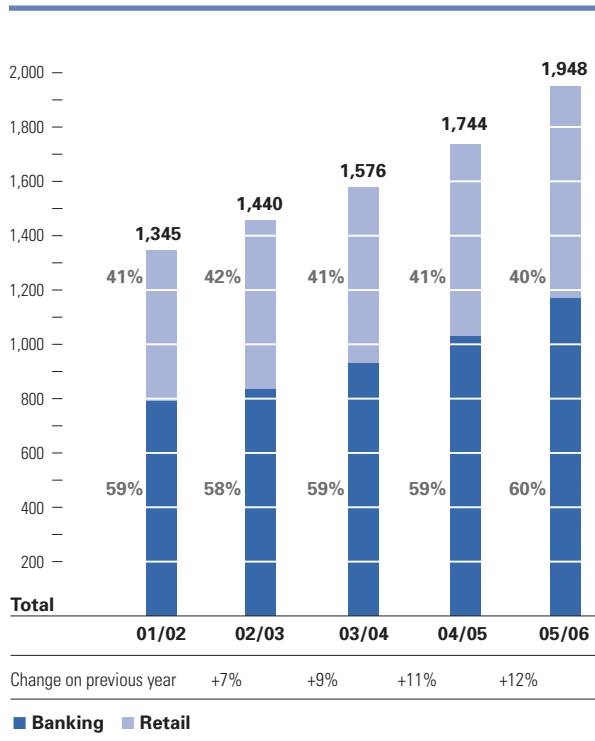
The Group's enhanced earnings strength can also be seen in the increase in profit for the period before carve-out expenses. This climbed to €94 million (previous year: €72 million). Product know-how was created at the Company's carve-out from the Siemens Group in 1999.

Dividend. The Board of Directors proposes to the Supervisory Board and the Annual General Meeting of Shareholders (AGM) that, of Wincor Nixdorf AG's final distributable net profit of €55,209,933.36 a sum of €46,318,983.20 be distributed to shareholders (equivalent to €2.80 per share). This is payable immediately after the AGM on January 29, 2007. The residual profit is to be carried forward.

SEGMENT PERFORMANCE.

Both the Banking and Retail segments contributed to the increase in net sales and operating profit. Net sales in the Banking segment grew slightly faster than in the Retail segment. The Banking segment accounted for 60% of total net sales, and the Retail segment accounted for 40%.

Net Sales Split: Banking and Retail. €m



Banking Segment. The Banking segment performed very well in the fiscal year just ended. Net sales increased by 15% to €1,178 million (previous year: €1,028 million). We succeeded in generating forward momentum in both our product and Services business in all regions. EBITA in the Banking segment climbed by 14% to €120 million (previous year: €105 million). This increase in profit was the result of

higher net sales and strict cost management. The EBITA margin remained unchanged year on year at 10.2%.

We benefit from an exceptional level of expertise in business processes relating to bank branches as well as in the field of self-service solutions. This is also expressed in the fact that we offer an all-embracing range of hardware products, software and services. We increasingly link this portfolio of products and services to end-to-end solutions for all business processes. The best example of this is cash management, i.e. IT-assisted optimization and automation of cash handling in bank branches.

Wincor Nixdorf took another major step forward in the area of next-generation cash management solutions during the year under review. This included, for example, software that identifies the replenishment intervals for self-service systems, transmits this data remotely and thus reduces costs for cash logistics and interest expense via made-to-measure replenishment. A further component of our portfolio is self-service systems that are able to automate the entire acceptance and account-entry process for cash and checks (cash/check deposit). These self-service systems contribute to a reduction in processing and handling costs.

We have leveraged further competitive advantages in net-centric and multichannel software architectures through continued development. This includes the net-centric software solution ProClassic/Enterprise, which allows various sales channels to be integrated on a single platform. New self-service functions and teller/cashier applications as well as modifications and changes are provided centrally and are available for all networked systems. In addition, implementation based on internationally recognized J2EE standards and application server technology allows inclusion of the self-service channel in a top-level multi-channel architecture.

We were also highly successful with innovative software tools to monitor and control self-service systems. These software tools are designed to identify and monitor the operating status of all systems within the networks at any time, thus significantly increasing system availability.

We received several awards for our innovations in the previous fiscal year from specialist audiences:

- The U.K. specialist journal "The Banker" awarded Wincor Nixdorf and the U.K. bank HSBC with the Banker Technology Award for an exemplary design and branch refurbishment project. The aim was to exclusively equip branches to meet customer needs and introduce an improved service. The use of state-of-the-art self-service technology played a pivotal role.
- The Self-Service World Magazine honored Barclays Bank for its successful kiosk project that it implemented together with Wincor Nixdorf. The result: a "Gold Award." This project aimed to take the strain off cashiers and the back office within the area of invoice settlement and money transfers by deploying multifunctional bank terminals. In addition, the Bundesagentur für Arbeit (Germany's Federal Employment Agency) received a "Silver Award" from Self-Service World Magazine in the category of "Public-sector Clients" for the self-service project implemented together with Wincor Nixdorf: "Cash Dispensers for Fast Social Payments."
- The CIFTEE (China International Exhibition on Financial Banking Technology & Equipment) jury honored the cash recycling system ProCash 4000 as "Best Product at CIFTEE 2005."
- Landesbank Berlin won second place in the category "Best Use of IT in Retail Banking" for the European Banking Technology Awards 2005 with a branch concept equipped with the ProCash/Fonet software.

Viewed geographically, business in Germany was up slightly year on year. Investments primarily served to increase branch competitiveness. At the same time, they reinforced sales activities at branch level with the help of self-service systems as sales and marketing instruments.

Wincor Nixdorf continued its growth in Europe. Our product business was driven by replacement investments in self-service systems, which were acquired as part of the Y2K conversion and the introduction of the euro. We were able to secure many orders in countries with highly distinctive retail banking, such as Italy, France, Spain and the U.K. Within this area, the main emphasis is on automating branch processes. The focus was on solutions that optimize cash handling processes using self-service technology (deposit and recycling systems, CCDM – Cash Check Deposit Module) and solutions to strengthen sales capabilities in the branches. Wincor Nixdorf also recorded higher order intake in Eastern Europe for these products. Solutions to make IT infrastructures more uniform were furthermore in demand. The largest growth driver, however, was the expansion of branch networks. This also applies to the Turkish market, where we were able to further grow our strong position in the products market.

The highest growth rates were recorded in Asia/Pacific/Africa. The expansion of self-service networks continued in almost all countries, as did the automation of cash handling. This gave a major boost to our product business for monofunctional systems. Business in China enjoyed particularly strong growth. Wincor Nixdorf is listed as a supplier for all Tier 1 banks in China and secured several key orders. We were able to generate significant successes in our product business in India, Asia's second-largest high-growth market.

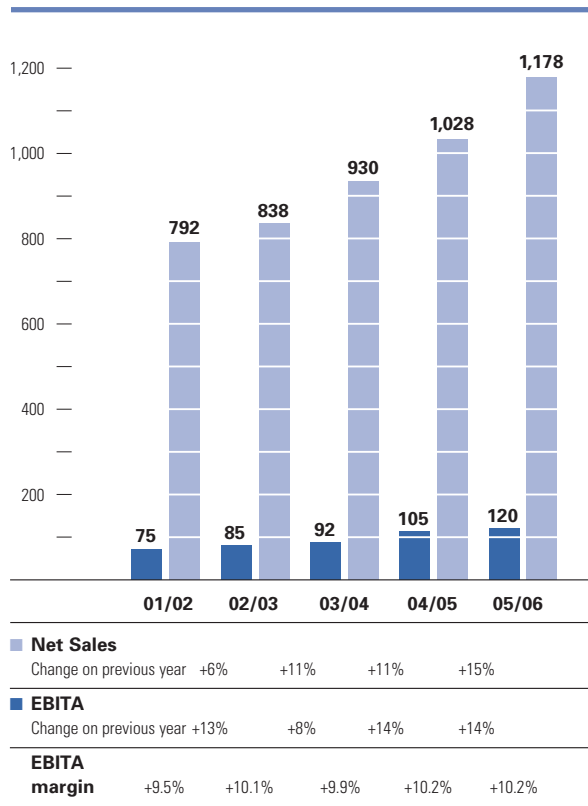
We continued on a path of solid growth in the Americas during the past fiscal year. Our strategic sales alliance with IBM made a positive impact in particular in the Canadian and Latin American markets. Demand for the CCDM deposit module was particularly favorable as a result of "Initiative Check 21" in the U.S., a program that supports automated check processing (envelope-free). Our CCDM module allows checks and cash to be deposited directly into the system, with subsequent account processing. We improved the launch pad for future growth in Mexico and Brazil as well as in Argentina and Columbia, where we were able to acquire key strategic projects. In addition, Banking business in Venezuela accounted for a major proportion of growth in the region.

Product Business. Business focusing on hardware products for retail banking grew better than expected.

The bulk of our product business was due to **cash systems**. These mostly comprise ATMs and automated teller safes as well as high-end deposit/recycling systems. We were able to increase our sales volume significantly year on year. The key growth drivers were, above all, new installations in high-growth regions as well as replacement investments within developed markets, prompted by factors including new security requirements for banks, the conversion to uniform standards for credit card systems (EMV – Europay, Master- and VISA-Card) or changes to operating systems. Demand for monofunctional systems was also driven by installations for off-premises suppliers.

The advantages of significantly increased economies of scale for monofunctional and multifunctional ATMs had a positive impact on both costs and prices. The proportion of multifunctional systems again increased year on year. As these systems are positioned in a premium-priced segment, net sales and earnings were given a further boost.

Net Sales and EBITA History: Banking. €m



Sales volumes relating to **automated teller safes and self-service systems** for "assisted self-service" increased further. In particular, demand for high-end devices increased – for example, systems with combined deposit and payout functions, or systems that allow "assisted self-service" by issuing electronic cards for specific transactions.

Wincor Nixdorf has underscored its strong position in the market for **intelligent deposit systems** with another increase in sales volume. These deposit/recycling systems fundamentally restructure cash and/or check processes at branch level. During the past fiscal year, further large banks in Europe and America invested in our tried and true technology for intelligent deposit modules used in cash and check processing (CCDM).

We were able to successfully position our new compact recycling model ProCash 4000 with its innovative cassette technology in Germany and Asia, recording strong demand in these regions. This new technology simplifies system handling, replenishment and emptying of the recycling system.

As for **non-cash products**, once again bank terminals designed for the purpose of migrating routine banking operations to self-service applications dominated our business, as evidenced by a substantial increase in sales volumes. We were also able to expand our solution concept for the manufacturing industry using modified bank terminals and corresponding software (for example the "employee self-service solution" for employees without direct Internet access).

Business with **voucher and document printers** remained at a high level. As a result of its speed and dependability, the HighPrint document printer enjoys global recognition from our customers.

Solutions/Services. Our Solutions/Services business once again recorded significant growth.

Software solutions and services increased substantially. Net-centric software applications such as the ProClassic/Enterprise software architecture as a corporate solution and the multivendor platform software ProClassic accounted for a particularly high proportion of business growth.

There was also strong demand for software to increase security and for the ongoing control of self-service systems. Both of these functions are offered by our ProView monitoring software, which identifies manipulations and monitors perfect functioning of the system during operation.

An anti-skimming solution comprising software and special sensors that monitors the entire card-input area for devices that were added on at a later date is also enjoying strong demand.

Many banks are redesigning their branches, which also allowed us to successfully participate in the co-development and introduction of intelligent, multifunctional business-to-consumer concepts. Within this area, our Branch Optimizer analysis software proved particularly effective. This software simulates and analyzes the possibilities of transferring specific processes in branches to self-service systems, as well as providing information on more efficient and more profitable branch workflows prior to implementation.

Our **Services business** with banks enjoyed strong growth, in particular in Germany/Europe and Asia. The further expansion of our own resources as well as services provided by our partners, have allowed us to improve the quality of our portfolio. Furthermore, the performance of close-to-the-product services has been increased thanks to process improvements.

We have gradually expanded our network of global service partners in order to ensure across-the-board support for our customers in the banking sector. For example, we have substantially reinforced our service organization in the U.S., and are now present in a large number of states.

Our outsourcing business continued to gain importance during the year under review, with newly launched or further developed outsourcing projects. We are benefiting from our experience in self-service, service, and IT operation management. A new model introduced in Germany was the formation of Wincor Nixdorf Portavis GmbH, which commenced its

operations at the start of the fiscal year. Our two partners Hamburger Sparkasse and Sparkasse Bremen have outsourced all of their decentralized IT systems, including media technology and networks, to this joint venture, whose operations are managed by Wincor Nixdorf.

Retail Segment. The Retail segment also grew during the past fiscal year, with net sales climbing 8% to €770 million (previous year: €716 million). This growth is primarily due to our activities in Germany.

In fiscal 2005/2006, EBITA increased by 28% to €41 million (previous year: €32 million). Our high-end product business with reverse vending machines and a further improvement in our software business had a positive impact on earnings. At the same time, the EBITA margin improved from 4.5% to 5.3%.

The uniform product platform of the BEETLE systems proved to be a formidable competitive advantage. These systems form the basic foundation for self-checkout systems as well as kiosk and lottery systems and are also used in our reverse vending machines. The systems are characterized by consistently using the same basic technology. This allows them to be integrated more easily into the various systems within a branch, thus facilitating maintenance and cutting operating costs over the entire product life cycle (TCO).

Retail companies are increasingly investing in standardized software designed to control various systems at branch level. Developed by Wincor Nixdorf, TP.net is a software solution tailored to these requirements. In the year under review, we added functions for the central control of branch systems and the analysis of business processes.

We supported the increased use of automation and self-service solutions by developing and piloting innovative products. For example, our cash management solution, which covers the cash handling process from the teller through to crediting the cash to the retail company's bank account, proved itself in test installations. We were able to roll out the first self-checkouts for international customers after successful pilot projects. We successfully followed through on our consulting services for the redesign of a checkout and payment process for a well-known international retail company with a customer-specific concept. Checkout systems previously tested were installed at this retailer's branches.

During the past fiscal year, Wincor Nixdorf also benefited from being able to offer its customers standardized, modular and scalable concepts. These allow us to react more quickly and flexibly to customer wishes. We are a system provider and can offer end-to-end systems comprising hardware, software, and services for the purpose of organizing retail companies' branches.

In addition to international availability, the openness of our software when implementing innovative business processes in branches and for branch management has proved to be of key importance. Our customers demand solutions to automate their branches. At the same time, the reduction of IT complexity within the branch and highly effective roll-out are considered essential prerequisites. Wincor Nixdorf's branch software TP.net is ideally suited for this purpose, and we were able to implement this solution for a number of leading retailers.

As more and more retailers are working internationally, our ability to compete depends on the global use of our products and solutions, our international presence with competence centers and a global service organization.

We have established tangible advantages in this regard compared to many of our competitors as a result of our proven track record in the banking sector – in particular in areas where technology is converging, such as the cash management and self-service solutions which are now being developed.

In geographical terms, we succeeded in increasing sales in Germany in the face of market conditions, which have been difficult on the whole. The directive for the return of certain types of bottles and beverage containers came into effect on May 1, 2006, and gave fresh impetus to our German business. We have benefited from investments in reverse vending machines and were able to expand our strong position in the market for POS systems.

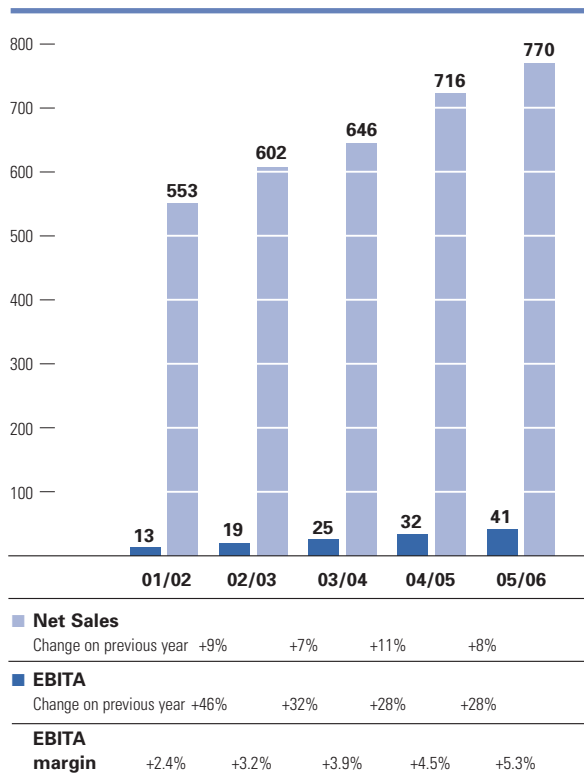
We succeeded in emulating our extraordinarily good performance in fiscal 2004/2005 in Western Europe. Net sales increased across the board. Our business in France was particularly successful, and we were able to replace competitor systems with Wincor Nixdorf systems for several customers operating a large branch network. In addition, we implemented the first major rollouts for self-checkout systems there.

The dynamism recorded within our Retail business continued in Central and Eastern Europe in the year under review. Growth was driven by the continued expansion in these regions of international retail groups which we have been supporting with our solutions for several years, and also by new orders from local retail companies.

Business in Asia/Pacific/Africa increased slightly. Especially in China and Malaysia the business volume increased as a result of new installations of POS systems at local providers. The Americas reached the same level as in fiscal 2004/2005.

Net Sales and EBITA History: Retail.

€m



Product Business. The further enhanced modular BEETLE/EPOS system family proved its attractiveness to the market with several orders received for new and replacement investments. It fulfills perfectly specific requirements for retailers operating both internationally and locally. We were again able to significantly grow our sales of POS systems

last fiscal year, which boosted economies of scale. This has allowed us to expand our lead in the European market and to consolidate our position within the global arena.

As already mentioned, our retail product business was boosted by the strong demand for reverse vending machines. Wincor Nixdorf positioned itself within this market at an early stage with the ReVendo family of products. We were immediately able to attain our target market share of around 30% of systems ordered in Germany.

Solutions/Services. Growth in our Solutions/Services business lagged behind the outstanding performance achieved in the area of retail products.

However, we succeeded in driving our global business with the branch software TP.net via implementation at additional large multinational retailers and significantly increasing the number of licenses sold. We were also able to successfully market our NAMOS branch solution for international service station networks.

Our iCash cash management solution met with great interest. This solution automates cash processing workflows from the checkout through to the bank. The closed, automated cash cycle makes manipulation by employees impossible and prevents casual errors, for example when returning change. The main focus, however, is on the savings resulting from the automated processes – both for the transaction at the checkout as well as for checkout handovers and cashing up. We implemented the iCash solution for various customers at the POS as well as in the back office environment.

We established Wincor Nixdorf Retail Services GmbH in order to offer excellent service for the reverse vending machines installed in Germany. Our new service company has geared its offering specifically to the needs of retail

customers and is able to rectify defects within four hours of these being reported. Our online service center is located in Ilmenau in Thuringia, the team of service technicians is managed from our Hilden facility.

We have gradually expanded our network of global service partners in order to ensure across-the-board support for our global retail customers.

Furthermore, we have, to a large extent, concluded integration of the U.K.-based Datalect Group acquired in fiscal year 2003/2004. This group primarily offers IT services for retail companies.

ACQUISITIONS.

We acquired the remaining 49.99% interest in Siemens Niederlande B.V., The Hague, the Netherlands, in January 2006. This company operates in the area of sales and services.

In order to reinforce our Services business in the Netherlands, we also acquired a 100% interest in the Dutch security transport company HEROS Security Nederland B.V., Rotterdam, the Netherlands, in May 2006. Afterwards, the company was renamed SecurCash B.V. This company supplements the process chain for our Dutch outsourcing business.

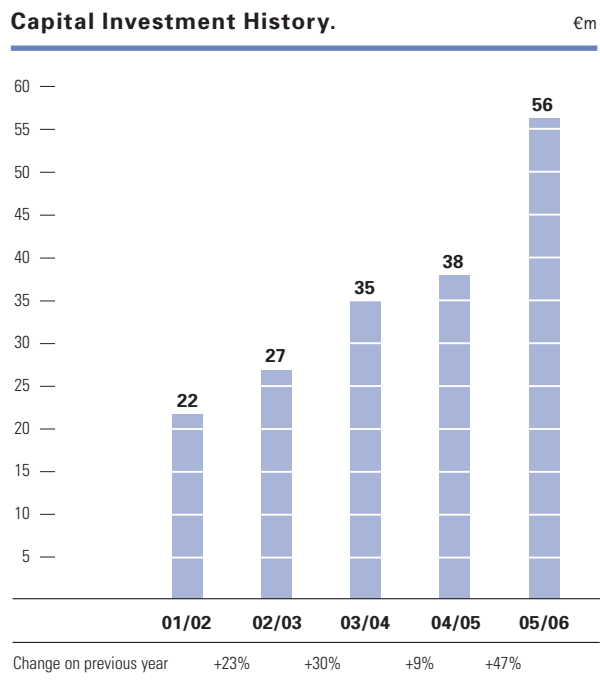
We also accelerated expansion of our distribution network in Thailand and Algeria via the formation of independent companies. Our Retail Services business in Germany was bolstered with the support of Paderborn-based Wincor Nixdorf Retail Services GmbH. This company is responsible for installing and maintaining products and solutions for German retail companies.

We plan to further expand our German development facility in Ilmenau, Thuringia. Wincor Nixdorf Grundstücksverwaltung Ilmenau GmbH & Co. KG, Paderborn, will be responsible for this expansion.

All changes to the consolidated Group are discussed in the Notes to the Group Financial Statements under Methods of Consolidation.

CAPITAL INVESTMENTS.

Our capital investments have expanded capacity levels and improved our productivity and quality of services.



In the period under review, we invested €56 million (previous year: €38 million) in data-processing systems, specialist tools, production facilities, software and other fixed assets and office equipment as well as reworkable service parts.

We spent €15 million on setting up our outsourcing business in Germany alone last fiscal year. Furthermore, we invested €6 million in reworkable service parts that we use in the service process.

PERFORMANCE, FINANCIAL POSITION AND ASSETS.

Performance. Wincor Nixdorf was able once again to increase its net profit before minority interest in fiscal 2005/2006. It amounted to €82 million (previous year: €56 million). Growth in net profit was driven by several factors, including net sales growth of 12% and the associated economies of scale attributable to our products. At the same time, we successfully continued our "ProImprove" profitability program. Despite double-digit growth in revenue, selling, general and administration expenses rose slower in relation to net sales.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were raised once again, climbing by €35 million to €203 million (previous year: €168 million). The EBITDA margin stood at 10.4% (previous year: 9.6%).

Reconciliation of Result from Business Operations (EBITDA).

	€m	
	2005/2006	2004/2005
Profit for the period	82	56
+ Income taxes	46	35
+ Financial result	13	20
+ Amortization of product know-how (exceptional item)	20	26
EBITA before charges arising from the carve-out	161	137
+ Amortization/Depreciation of tangible fixed assets and licenses	37	30
+ Write-down of reworkable service parts	5	1
EBITDA before charges arising from the carve-out	203	168

Derivation of Cash and Cash Equivalents from EBITDA – (Group, before Exceptionals).

	€m	
	2005/2006	2004/2005
EBITDA	203	168
Cash flow from operating activities	155	133
Cash flow from investment activities	-133	-55
Cash flow from financing activities	-27	-130
= Change in liquidity	-5	-52
Cash and cash equivalents at the beginning of the period	-1	51
Cash and cash equivalents at the end of the period	-6	-1

Financial position. The solid progression of business in the fiscal year ended is reflected in the cash flows from operating activities. Net cash from operating activities improved further year on year, increasing by €22 million to €155 million (previous year: €133 million). Growth within this area was driven to a large extent by the rise in EBITDA by €35 million to €203 million (previous year: €168 million).

Alongside net profit, cash flow from operating activities is influenced mainly by changes in working capital. Working capital comprises inventories, trade payables and trade receivables, prepayments received and deferred income. Owing to solid business in fiscal 2005/2006, we added to working capital in the period under review. This resulted in a cash outflow of €54 million. Despite this increase, working capital in relation to net sales remains unchanged year on year at 12%.

Net cash used in investment activities amounted to €133 million (previous year: €55 million net cash used). In fiscal 2005/2006, Wincor Nixdorf created plan assets within the meaning of IAS 19 by transferring assets to a registered society (so-called "eingetragener Verein") as part of a contractual trust arrangement. The plan assets comprise interests in a property that has a third-party tenant as well as interests in a management company in the amount of €15 million, trade receivables in the amount of €30 million and cash totaling €84 million. In cash flow from investment activities, the cash outflow is reported as a transfer to Wincor Nixdorf Pension Trust e.V.

Investments in intangible assets and property, plant and equipment amounted to €56 million (previous year: €38 million). The main emphasis was on investments in other fixed assets and office equipment, which totaled €31 million (previous year: €27 million).

In the previous year, net cash used in investing activities included investments in acquisitions amounting to €19 million. In the period under review, reworkable service parts are reported as non-current assets, as is customary in our industry. We invested €6 million in reworkable service parts. Cash flow from investment activities includes a cash inflow of €6 million attributable to funds received for the assumption of staff-related liabilities in connection with an acquisition.

Net cash used in financing activities totaled €27 million (previous year: €130 million). This figure includes the payment of dividends amounting to €35 million (previous year: €20 million) as well as payments made in connection with the 2004 share-based payment program (less tax effects) in the amount of €7 million. We took out financial loans amounting to €18 million in fiscal 2005/2006 and made principal repayments of €2 million.

Based on its positive cash flow from operating activities, the Wincor Nixdorf Group was and continues to be capable of discharging its payment obligations. In view of these circumstances, Wincor Nixdorf has not seen the need to commission a rating.

Assets. In accordance with the revised version of IAS 1, the balance sheet is classified using the current/non-current distinction. The balance sheet is divided into non-current and current assets as well as non-current and current liabilities and equity; equity now also includes minority interest.

Assets.		€m
	Sept.30,2006	Sept.30,2005
Assets		
Intangible assets	384	401
Tangible assets and financial assets	105	106
Non-current receivables and other assets	35	44
Non-current assets	524	551
Inventories	313	224
Current receivables and other assets	315	284
Cash and cash equivalents	10	51
Current assets	638	559
Total assets	1,162	1,110
Equity and Liabilities		
Equity (incl. minority interest)	275	234
Pension accruals and other accruals	47	143
Financial liabilities	192	174
Other liabilities	15	13
Non-current liabilities	254	330
Other accruals	140	115
Trade payables	212	195
Other current liabilities	281	236
Current liabilities	633	546
Total equity and liabilities	1,162	1,110

At the balance sheet date, the balance sheet total of Wincor Nixdorf amounted to €1,162 million. Compared with fiscal 2004/2005, it thus increased by €52 million or 4.7%. Non-current assets totaled €524 million (previous year: €551 million). Current assets amounted to €638 million (previous year: €559 million).

Within non-current assets, intangible assets decreased by €17 million to €384 million (previous year: €401 million). The year-on-year change is mainly attributable to the amortization of product know-how in the amount of €20 million (previous year: €26 million), which was accounted for as part of the carve-out from the Siemens Group. Amortization of industrial property rights and licenses amounted to €7 million. Investments in intangible assets totaled €9 million.

Property, plant and equipment decreased by €2 million. Capital expenditure of €40 million on property, plant and equipment mainly encompassed specialist tools, IT equipment and other office equipment. Depreciation amounted to €29 million. We transferred to Wincor Nixdorf Pension Trust e.V. a total of €15 million in assets relating to property occupied by third-party tenants, the objective being to secure entitlements to retirement benefits.

Non-current assets include reworkable service parts totaling €16 million (previous year: €13 million). In the event of a defect of reworkable service parts used in Wincor Nixdorf or third-party products, these parts are serviced by Wincor Nixdorf or other partners as part of a specific logistics and repair process. They are subsequently returned to the stock of spare parts. As is customary in our industry, reworkable service parts are classified as non-current.

The Group's solid position within the area of order intake had an impact on current assets. Inventories increased by €89 million. Trade receivables rose by €21 million after a factoring transaction of €30 million with Wincor Nixdorf Pension Trust e.V.

Owing to more expansive business activities, other current assets such as prepaid expenses increased by €10 million to €50 million (previous year: €40 million).

Based on active management of short-term cash funds and bank borrowings, cash and consequently liabilities were reduced by €41 million.

Equity including minority interest increased by €41 million in fiscal 2005/2006 to €275 million (previous year: €234 million). The equity ratio thus stands at 24% (previous year: 21%).

Changes in equity were mainly due to the market valuation of cash flow hedges of €7 million and the payout of the 2004 share-based payment program in the amount of €11 million, less tax effects totaling €7 million. Other changes in equity are set out in the Group Financial Statements under Changes in Equity.

At Group level, non-current accruals for pensions, taxes and environmental protection declined by €96 million to €47 million (previous year: €143 million). This is due to the offsetting of retirement benefit obligations with plan assets in the amount of €128 million.

Non-current liabilities mainly comprise Group financial liabilities. They amounted to €192 million (previous year: €174 million). For the purpose of securing entitlements to retirement benefits, Wincor Nixdorf assigned property as well as receivables and cash totaling €84 million to Wincor Nixdorf Pension Trust e.V. The Group mainly utilized its cash flow from operating activities of the current year for this cash outflow.

Syndicated loan financing consists of a revolving facility covering a loan volume of €350 million for Wincor Nixdorf AG and Wincor Nixdorf International GmbH; the loan term is seven years, ending on August 1, 2012. The banking syndicate has made funds available on the basis of terms of 1, 2, 3, 6 or 12 months – or other terms by agreement. Interest is payable at the EURIBOR rate plus a margin.

The Group's financial flexibility has further improved as a result of this financing, because the revolving nature of the facility means the loan amount is available throughout the entire term. In addition, there are no ongoing capital repayment obligations until the end of the seven-year term.

Current accruals for operating activities totaled €140 million (previous year: €115 million). They cover obligations from warranties, delay and contract penalties, potential losses on pending transactions as well as staff-related obligations.

Payables and advances received on orders carried as current liabilities increased by €62 million.

Overall Assessment of Economic Position. Overall, the Board of Directors judges as sound the economic position of the Wincor Nixdorf Group at the date on which the Group management report was prepared. In view of the fact that business in the first few weeks of fiscal 2006/2007 has progressed in line with expectations, as reflected in net sales and EBITA, the Board of Directors anticipates that performance will continue to be favorable.

RESEARCH & DEVELOPMENT.

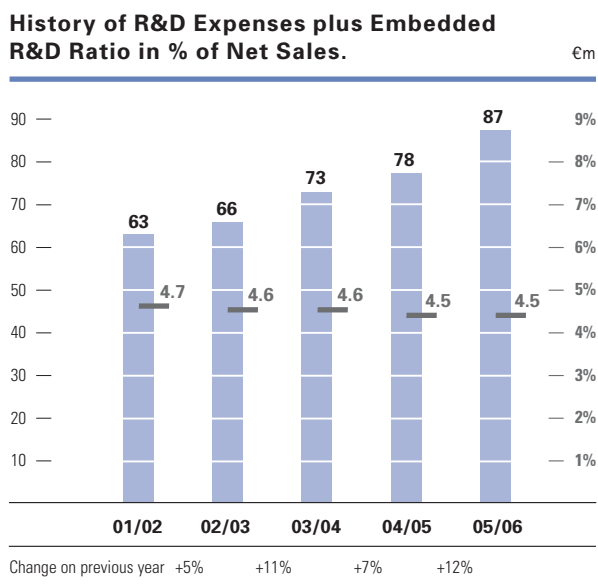
In Research and Development (R&D), we constantly seek to address two key questions: firstly, what are the challenges facing our customers?; and secondly, how can we create added value for them through our hardware, software and IT services? In line with its strategic objectives, Wincor Nixdorf invested approximately €87 million (previous year: €78 million) in research and development in fiscal 2005/2006. This is an increase of 12% compared to the previous year. R&D as a percentage of net sales remained unchanged at 4.5%.

With a view to reinforcing our technological strength in the future and fulfilling our stated commitment to customer-oriented research and development, we recruited additional staff in R&D in the period under review. At the end of the reporting period, the number of employees working in R&D was 790 (previous year: 714), equivalent to 10% of the total headcount. They work at development facilities in Germany, Switzerland, Singapore, Indonesia, the U.S. and China.

Our R&D staff has been working on a significant number of new developments. Worldwide, we registered 54 (55) new patents, bringing the total number of active patents up to 920 (866).

R&D Areas of Focus. R&D activities during the year focused on three key areas:

- convergent base technologies for our core Retail and Banking business
- integrated hardware, software and services solutions to provide customers with complete process chains
- serviceability of our hard- and software in order to make future customer installations easier to maintain.



One excellent example of how we implement convergent base technologies and take advantage of our range of integrated solutions is our Cash Management portfolio, which enables retailers and banks to automate their cash handling process. Options range from the automated acceptance of cash at checkouts to account entry and cash recycling, through the distribution of money via ATMs. A further example of the application of convergent base technologies comes in the form of our modular solutions developed for postal service companies, which now go beyond the self-service area to include the automation of counter processes.

In the Banking segment, we succeeded in establishing our deposit and recycling technologies in a number of strategically important markets. We have adapted both technologies to meet the specific requirements of key countries and integrated them into our customers' processes. Our key product lines in the Banking segment, such as ATMs and

terminal systems, have been continuously enhanced, guided by the needs of our customers. In addition, we have expanded our ATM portfolio to include a simple cash dispensing system specially designed for third-party providers.

Having completed development of our net-centric applications for managing large self-service networks (Pro-Classic/Enterprise) and proven their market readiness, we are now developing additional modules designed to add functionality in the counter/teller environment and at the branch level. We have also been paying particular attention to expanding our extensive IT security product family. Prominent within this area are programs for the distribution and management of electronic codes and software which fulfill the security requirements of globally active credit card companies.

In retail, we successfully piloted a new approach to automated cash handling and expanded our product portfolio to the point where it now offers a complete range of solutions. Self-checkout systems have proven their worth, and our product family has been further extended and tested successfully in trial applications at customer sites. The product lines currently offered to the retail sector, such as the BEETLE ePOS systems and terminal solutions for lottery companies, have undergone continuous development and adaptation to meet the needs of our customers.

Our emphasis in software development has been on adding new features and components to our TP.net point-of-sale software to enable the management of new concepts, such as self-checkout and new mobile scanning solutions, and to enable the centralized management of branch systems. The software has also been enhanced with features designed to analyze business processes.

PURCHASING AND LOGISTICS.

Wincor Nixdorf operates an international purchasing system, enabling a global sourcing of products, components and assemblies, services and software from contracted suppliers. In all our activities, we seek to collaborate as closely as possible with our customers and partners, with a view to deriving the maximum possible benefit for all parties concerned. Not only does this approach deliver continuous improvements in quality, it also allows us to optimize purchasing and achieve significant cost savings. Consolidation of purchasing flows and close communication with subsidiaries and production plants generates additional cost advantages.

Decentralized purchasing units in the various countries are coordinated centrally by our strategic purchasing department. All procurement activities are undertaken in close collaboration with local offices and production facilities. By that we ensure that purchasing activities within the Group are undertaken in close collaboration with all parties involved.

Wincor Nixdorf is aware of the fact that keeping customers satisfied requires tremendous commitment and the ability to innovate, while consistently offering a high level of service. For this reason, we make every effort to maintain and, where possible, continuously improve the quality of our products and services. This includes, for example, working in close cooperation with our suppliers with whom we regularly exchange ideas for possible new developments. During the year under review, Wincor Nixdorf extended its Group quality management network and reinforced it by means of a targeted quality campaign.

During the past fiscal year, Wincor Nixdorf further strengthened its strategic purchasing organization in the burgeoning Asian market, establishing deals with a number

of additional local suppliers. In doing so, we considered it particularly important to gain a firm commitment from suppliers that they respect certain environmental protection considerations and adhere to the SA 8000 (Standard for Social Accountability) standard. Among other things, adherence to SA 8000 requires that no child labor be used, that employees work a maximum of 48 hours per week with one day off, that wages are sufficient to meet the needs of workers and their families, that humane working conditions are maintained and that documentation is made available (through certification) to prove that these conditions have been met.

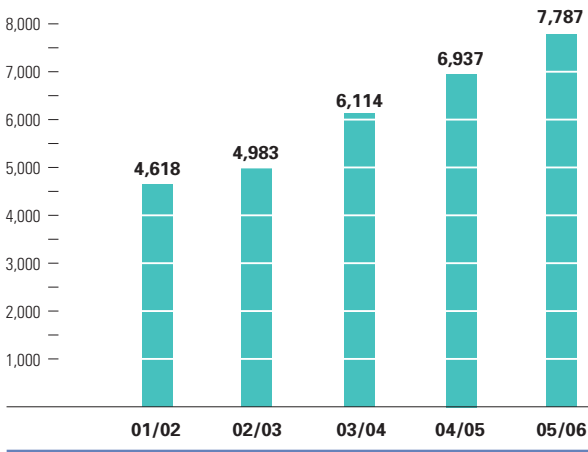
Not only were we able to identify new suppliers in Asia, we also further expanded our production sites in Shanghai and Singapore, enabling us to shorten delivery times and counteract fluctuations in product prices.

As regards logistics, we are continuously looking for ways in which to optimize our supply chain, with the objective of reducing throughput times and increasing flexibility in the fulfillment of customer orders. Close cooperation with our global network of suppliers is a key factor in enabling us to achieve this.

EMPLOYEES.

Targeted Expansion of the Workforce. The implementation of Wincor Nixdorf's corporate strategy and its success in generating forward momentum within the business arena are reflected in further increases in the size of the workforce – a solid basis for future growth. Overall, the number of employees rose by 850 to reach 7,787 worldwide as of September 30, compared with 6,937 employees at the end of fiscal 2004/2005

Development of Headcount.

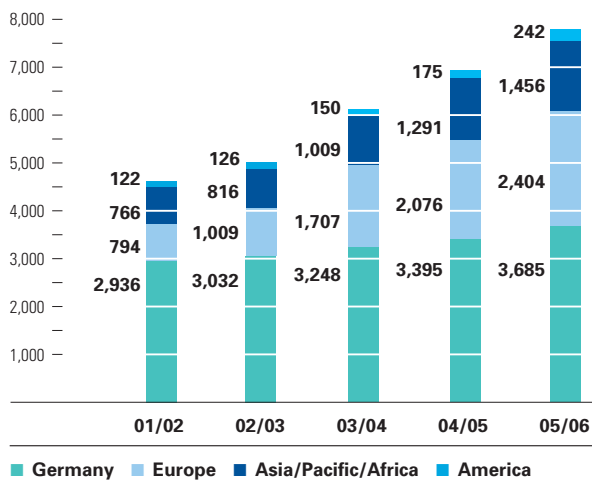


The main focus of this recruitment drive was outside of Germany, where the number of employees rose by 560 to 4,102 (previous year: 3,542). Many of these new jobs were created in Europe and the Asia/Pacific/Africa regions,

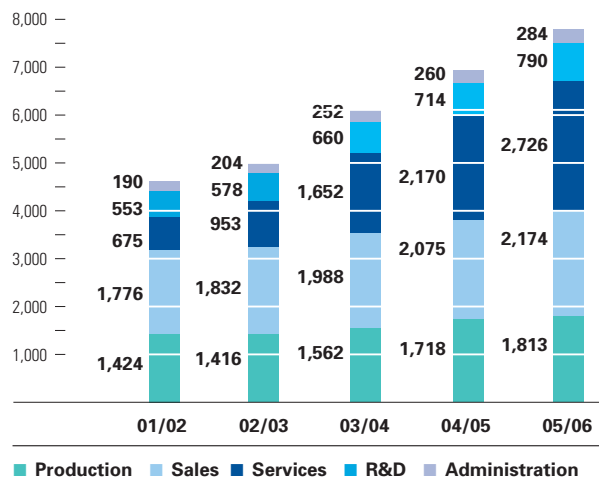
where we have been able to establish a stronger basis for growth in our core business. As a result of this greater emphasis on international expansion, the gap between the size of our foreign and domestic workforces continued to widen in the period under review. At 3,685, the headcount in Germany increased by 290 year on year (previous year: 3,395).

If we examine the figures by business activity, the majority of new employees were appointed to strengthen our Services team. Most of the expansion in this area occurred at international level, although there were increases in Germany, too (Wincor Nixdorf Portavis GmbH; services for reverse vending machines). Some of the new appointments were made with the purpose of expanding our international manufacturing network. In addition, we strengthened our sales teams in growing markets, as well as further enhancing our HR structures in research and development.

Development of Headcount by Regions.



Development of Headcount by Functions.



Areas of Focus in Personnel Management. A key goal of our personnel policy is to attract and retain highly skilled people. We therefore place great emphasis on recruiting such highly qualified employees. In expanding our workforce over the past fiscal year, we paid special attention to integrating into our organization new recruits and employees from companies acquired by Wincor Nixdorf.

One important issue addressed during the past fiscal year was the conversion of a diverse mix of retirement benefit plans, covering around 2,500 employees of Wincor Nixdorf International GmbH, into a new, uniform system. Working in close collaboration with employee representatives, we are pleased to report the success of this conversion. The new system takes into account changed demographic circumstances and establishes an appropriate link between the social contribution of the employer and its economic capabilities.

At the same time, the transfer of pension accruals to a pension fund (Contractual Trust Arrangement – CTA) provides even greater security for company retirement benefit plans.

As in the past, Wincor Nixdorf gave employees the opportunity to benefit from the Company's successful performance in fiscal 2005/2006. In line with the overall remuneration policy, which is based on individual and company performance, staff members achieved above-average additional compensation at all levels.

The Board of Directors is aware of the fact that the Company's success is dependent on the overall performance of Wincor Nixdorf employees worldwide. It is with this in mind that the Board wishes to express its gratitude and appreciation to the entire workforce for the outstanding level of commitment and high performance shown throughout the fiscal year.

RISK REPORT.

Risk Management. Risk management considerations play a central role in all decisions and business processes at Wincor Nixdorf AG. Comprehensive risk management, built into our activities in the form of management structures, company-wide standards as well as reporting and information systems, allows us to identify risks at an early stage. The associated control procedures enable us to promptly isolate and monitor both general and specific risks. Our objective in applying risk management is not only to manage and avoid risk but also to use it to take considered advantage of opportunities that arise and which may add value to our business, even where these are associated with an elevated risk potential. New areas of business, for example outsourcing projects or entry into new markets, are approached with the issue of risk in mind and appropriate approval procedures are defined via quantitative thresholds. Company-wide guidelines and checklists allow for structured analysis, enabling us to highlight potential risks and opportunities alike.

Risk management forms an integral part of our controlling and financial reporting systems. It includes an annual risk management report, monthly situation analyses/forecast reporting and project-specific variance analyses.

Risk management is integrated into the Group controlling process and functions on two levels. The first level consists of a Group holding company control function, which takes responsibility for identifying risk across the company, setting standards and developing short, medium and long-term strategic approaches to its management. On the second level, specific risk affecting individual subsidiaries and business units is identified and resolved at an early stage through key performance indicators and project analysis.

Compliance, Operational Efficiency and Security. The Group internal audit function regularly reviews the internal control systems and business processes both of subsidiaries and head office functions for compliance, operational efficiency and security. Internal audit checks monitor compliance with directives, organizational security measures, profit-and-loss data, balance sheet indicators and contracts. Furthermore, internal audit works out proposals for optimization of process efficiency. These internal checks are regularly submitted to external review in respect of internal processes and quality as well as compliance with legal and industry regulations. The Group internal audit function reports as an independent body directly to the Board of Directors and the Audit Committee of the Supervisory Board.

Macroeconomic Risks. Wincor Nixdorf expects world economic growth to continue in 2007, in particular in Asia and Eastern Europe. In Germany, the economic environment is likely to improve only slowly, and growth potential for the company will come along with international market expansion. Potential risks to the world economy are likely to include a further rise in raw material prices and continuing dollar weakness. Both could have a negative effect on global economic activity and subsequently on our business. In addition, we perceive risk to our customers and ourselves from potential natural disasters and terrorist attacks.

Corporate Strategy Risks. In all its business dealings, the Company strives for profitable growth. Investment and acquisition/disposal decisions are continually assessed against this criterion. At present, we do not perceive any substantial risks that could have a negative effect on our profitability or on our asset or cash positions.

Wincor Nixdorf has successfully expanded its service portfolio with outsourcing. With this service, we assume responsibility for a wide range of business processes from our customers. The complexity of outsourcing projects, however, brings with it a higher degree of risk. We seek to counter this risk by conducting early risk analyses and ongoing risk management. By concentrating management of these outsourced business processes within a team of specialists, we have been able to minimize risk, to the benefit of both ourselves and our customers. In addition, we take out insurance and use other back-up measures to minimize risk.

Financial Risks. Our business is exposed to credit, currency and interest rate risks. The Group treasury function and efforts to limit financial risk are managed centrally. Interest expenses are mainly linked to the short-term variable market interest rate (EURIBOR) plus a margin. This margin can be subject to change depending on certain financial ratios vary. Being tied to a market interest rate means that we are exposed to an interest rate risk. Rising interest rates could lead to interest expenses higher than originally planned. We have entered into interest rate options to hedge these risks. As a result, the effective interest rate on our financial debt (plus margin) fluctuates between 1.75% and 5.0%. We have also negotiated a fixed interest swap at 3.797% on €50 million as a hedge against rising money market interest rates.

The global nature of the Group's business generates payments in both directions in a range of currencies. Incoming and outgoing payments in individual currencies are netted off against each other. Thus, by selecting suitable suppliers and making appropriate location-related decisions, we actively seek to create a natural hedging effect to the greatest extent possible. The netted-off amounts represent our remaining exchange rate risk. These are then hedged up to 100% (depending on volume and currency) on a rolling 12-month basis by means of suitable financial instruments.

We reduce credit risks by consistently obtaining credit reports, setting credit limits and running a proactive debtor management function, including a payment reminder system and active debt collection. Letters of credit are used to secure receivables from countries classified as presenting a credit risk.

Capital Market and Risks to Pension Commitments. Share, bond, property and other markets are subject to fluctuations in valuation, which can have an effect on our plan assets. In addition, changes in rate of return can affect pension commitments. Other changes in the environment, which may also lead to an increase or reduction in pension and related commitments, include pay rises, changes in the number of those contributing to and benefiting from the scheme, mortality rates, increases in healthcare costs and other factors. Such changes can have a negative effect on pension expenses, future contributions and equity. As such, it is possible that future pension commitments and contributions may have a negative effect on the financial position and profitability of Wincor Nixdorf.

Market and Competition Risks. Banks and retailers operate in markets characterized by fierce competition. This intense competition can result in price pressure for our products and services – pressure that is expected to get stronger during the current fiscal year. In addition to the competitive pressures facing our customers, we also see a risk to our business through increasing internationalization and competition, coupled with diminishing barriers to entry. Heightened competition in the marketplace may have a negative effect on future profitability.

Purchasing, Productivity and Production Risks. As a manufacturing company, Wincor Nixdorf is dependent on the supply of a wide range of raw and processed materials. This dependence brings with it risks, which we strive to minimize, in particular, through management of our supplier base. The quality assurance process at work within the supply chain ensures compliance with quality standards.

The Company is constantly working to consolidate its purchasing and save costs through good purchasing management. Nevertheless, rises in the price of raw materials such as oil and steel may result in an increase in the purchase prices of components and assemblies we require. Other negative effects on purchase prices could include statutory requirements. Changes to employment conditions in Germany, combined with cost increases, may also impact the cost situation.

Technology and Quality Risks. The Company strives to strengthen its market position by offering products and services that are internationally competitive. This requires an intensive process of innovation and development to enable us to meet high customer demands for quality. In addition, we endeavor to work closely with our customers, especially our key hardware and software accounts, to deploy applications at an early stage. These endeavors often result in innovative business ideas and customer-specific products and services.

A leading position in innovation and quality allows Wincor Nixdorf to differentiate itself effectively from the competition. Our key goal is to maintain and build on our technological lead over our competitors. Our approach in working toward this goal, and also ensuring that any potential product weak points are quickly resolved, is based around a program established to deliver greater innovation and quality. Risks that might result from quality shortfalls are minimized through a quality and environmental management system, a rigorous approach to product releases and through insurance.

IT Risks. Appropriate availability of our own IT systems is a basic requirement for us to be able to meet our productivity objectives and avoid damage claims from business customers. In fiscal 2005/2006, we were able to achieve the planned level of availability of our IT systems despite a series of attacks by viruses and trojans. In the current fiscal year, too, attacks on our IT systems may affect availability levels. We continuously work to optimize our systems in terms of information security, and to improve them by conducting specific security analyses. To prevent operational

disruptions caused by external factors such as viruses penetrating the computer system, we always deploy the latest hardware and software solutions available on the market. In addition, our IT systems and architectures are regularly audited by independent experts.

Legal Risks. We are not presently aware of any actual or potential legal disputes that could affect our financial position to any significant extent. Currently, there is a possibility of a claim for compensation and a pending legal dispute in connection with existing cash management service agreements. Risks of a potentially significant nature cannot be ruled out entirely for the future.

Personnel Risks. Employee performance is essential for Wincor Nixdorf's future development and growth. We are in competition with other businesses for highly qualified specialists and managers. In order to attract and retain qualified people in the long term, we offer attractive compensation packages and social benefit schemes in addition to extensive training and development opportunities. We do not see any issues that may pose a risk to our filling specialist or management posts in line with our growth objectives.

Overall Risk. At present and in the foreseeable future, we perceive no individual risks that could pose a danger to the continued existence of Wincor Nixdorf. Moreover, the sum of risks does not show Wincor Nixdorf to be in any jeopardy.

EVENTS AFTER THE BALANCE SHEET DATE.

In an extraordinary meeting convened on November 8, 2006, the Supervisory Board approved the request of Karl-Heinz Stiller to step down from his position as President and Chief Executive Officer of Wincor Nixdorf AG after the next Annual General Meeting of Shareholders on January 29, 2007, and to resign from the Board of Directors. At the same meeting, the Supervisory Board passed a resolution appointing Eckard Heidloff, currently Executive Vice President, Chief Financial Officer and Chief Operating Officer, to succeed Karl-Heinz Stiller following the next Annual General Meeting of Shareholders on January 29, 2007.

There will also be a number of changes to the Supervisory Board of Wincor Nixdorf AG. Johannes P. Huth, currently Chairman of the Supervisory Board, has asked to step down from his position with effect from the close of the next Annual General Meeting of Shareholders on January 29, 2007. At the same meeting, the Supervisory Board will propose Karl-Heinz Stiller for election as a member of the shareholder representatives' group on the Supervisory Board of Wincor Nixdorf AG. Should he be elected to the Supervisory Board, Karl-Heinz Stiller will stand as a candidate for the position of Chairman of the Supervisory Board.

No other events of particular significance have occurred since the balance sheet date.

FUTURE PERSPECTIVES.

General. The outlook for the Wincor Nixdorf Group remains positive, with good prospects for continued profitable growth. Over the next few years, we expect to see average growth of 6% in net sales and 8% in operating profit. This underscores the general medium-term trend forecast by the Board of Directors at our IPO in 2004. However, thanks to strong growth in recent years, the trend is at a much higher level than we had originally expected. Our sales forecasts are based largely on anticipated organic growth in our operations.

We aim to pursue our successful business policy and continue implementing a Group strategy that focuses on developing our core activities, making further progress on internationalization and exploiting potential opportunities in areas that represent an extension of our core business or are related to it. In parallel, we are committed to accelerating the process of evolution toward a service offering that is focused on fully integrated solutions. With the market increasingly receptive to companies offering an all-embracing service, we believe this approach offers Wincor Nixdorf an opportunity to establish a unique identity.

Global Economy. According to forecasts from the main economic research institutes, the global economy is likely to witness a modest slowdown in growth in 2007. However, at present, there are no signs of a more serious downturn in global momentum.

The Institute for the World Economy (IfW) predicts global economic growth of 4.4% in the coming year, although it expects to see a slight downturn in the United States, which has been one of the main engines driving the global economy in recent years.

The same is true of Germany. The institute believes growth in 2007 will be limited to 1.3%. The principal factor affecting prospects for growth will be the higher level of value-added tax, which is set to rise by three percentage points.

Taking Europe as a whole, the economic slowdown is expected to be rather less pronounced. The experts of the institute predict an annual average increase of 2.0%, with a good chance of inflation falling to 2.1% given the prospect of continuing stable energy prices.

The International Monetary Fund (IMF) expects growth in the U.S. to reach 2.5%. Tighter monetary policy and a weaker realty market will act as a decelerating force on further growth.

Meanwhile, the Asian economies remain strong, and the Asian Development Bank (ADB) believes this trend will continue with 7.1% growth in 2007 on the back of an expected 7.7% in 2006.

Developments in the Banking and Retail Sectors.

In the retail banking sector, we foresee continued investment in the established markets of Western Europe and North America aimed at optimizing and expanding private-client business. This outlook is reinforced by the successful repositioning of the retail banking sector. The main focus of

investment is likely to remain on strengthening branch operations. This creates additional demand for automated systems combining hardware and software with modern IT support concepts and for other solutions that can help optimize branch systems to deal with a rapidly increasing number of transactions. By adopting such an approach, the banks endeavor to improve their customer support by offering new products and to enhance process efficiency. The trend toward outsourcing branch IT operations is likely to become more pronounced, with a corresponding increase in the need for high-quality IT services. Additional product growth is assured by the installation of new self-service systems, especially by off-premises providers. Growth will also be driven by investment in new infrastructure. Many banks are introducing multifunctional high-end systems that offer improved customer service or a greater level of automation. Wincor Nixdorf also sees potential for growth in moves by financial service providers to expand their sales channels. For banks, the challenge is to find a single software architecture that incorporates all these different channels. Wincor Nixdorf offers just such a software architecture that makes it possible to integrate individual channels step by step.

We also expect to benefit from investments by major retailers in new ePOS systems and in process optimization, especially in Western Europe and the United States. There is likely to be further growth in demand for automated systems and modern self-service concepts. We also foresee an increasing trend for international retail groups to standardize their branch IT systems by introducing uniform software platforms with extended branch functionality.

Both the banking and retail sectors continue to invest heavily in the fast-growing economies of Eastern Europe, Asia and Latin America. However, we also see significant potential for growth in developing countries such as India. Demand for our products should rise in line with the strong economic growth in these countries together with a higher standard of living, increasing urbanization and the development of a modern infrastructure.

Exchange Rates. We expect exchange rate movements to have an impact on our competitive position throughout fiscal 2006/2007 and 2007/2008, as our competitors' production facilities are mostly located in the U.S. dollar zone. Thanks to the global structure of our Group, we are able to take the necessary steps (choice of suppliers and locations) to create a natural form of hedging that will cover our activities to a large extent. This strategy will be supported by further international expansion planned over the next few years. Our remaining currency exposure will be hedged by appropriate transactions on the forward currency market.

Targeted Growth in Sales and Earnings. We have set a target of increasing consolidated net sales by 6% in each of the next two fiscal years.

Expressed in absolute terms, this means that the Wincor Nixdorf Group aims to achieve net sales of around €2,064 million in fiscal 2006/2007 and €2,188 million in fiscal 2007/2008.

Regional Development. Our aim is to increase our market share still further, especially at an international level, and to achieve net sales growth in every region. Europe will remain our largest market.

Within Germany, we hope to maintain our market leadership in both segments and attract new high-profile customers. We expect a small increase in net sales over the next two fiscal years.

At the European level, we aim to achieve above-market average growth in our retail banking operations, while maintaining our dominant position in the retail trade sector. We believe that within Europe as a whole, we can achieve growth in sales to match that of the entire Group.

In line with our strategy of focusing on Asia and the Americas, we hope to achieve a level of growth in these markets that lies above that of the Group. Thanks to a series of measures introduced in the year under review, we believe that double-digit growth is possible in both regions.

Outlook by Business Stream. We aim to increase the share of our Solutions/Services activities in total sales to around 50% in the long term. With a view to reaching this target, we are making continued efforts to strengthen this business stream and push forward our development work. We expect our Solutions/Services operations to maintain the same high levels of growth as in recent years. At the same time, this will speed up the process of transition toward providing integrated solutions.

In spite of this positive development, the share of the Solutions/Services stream in total sales will not increase rapidly, as we expect to see equally impressive growth in our Product business.

Costs. Over the next two fiscal years, as part of our Group-wide "Prolmprove" program aimed at boosting profitability, we aim to optimize our costs still further and strengthen our earnings capacity.

Through the optimization of our processes and the globalization of our production and development activities, we hope to achieve productivity gains that will have a beneficial effect on earnings. By exploiting economies of scale and recycling solutions, we can make a positive impact on start-up investments and help achieve a faster return.

As a proportion of revenue, selling and administration costs for fiscal 2006/2007 should remain slightly beneath the already low level of the year under review. We expect to further reduce the selling and administration cost ratio in fiscal 2007/2008 through economies of scale and process optimization across the Group.

Profit. Earnings before interest, taxes and amortization (EBITA) are expected to grow by 8% in each of the next two fiscal years, with EBITA figures of €174 million for fiscal 2006/2007 and €188 million for fiscal 2007/2008.

Net profit for the period is likely to show a greater increase than EBITA in the coming years. This is due to improved operating profit and a number of other factors: charges arising from the carve-out will fall considerably as a result of lower amortization expense associated with product know-how. The financial result will be reduced thanks to the Group's healthy financing position. It will also be eased by interest payments for pensions; this expense item will now be accounted for as functional costs under the CTA system. The Group's overall tax burden will be further reduced by Wincor Nixdorf's continued internationalization.

Our shareholders will continue to benefit fully from earnings growth, as we intend to maintain our company policy of distributing around half of the adjusted net profit for the period in the form of dividends. The figure for adjusted net profit for the period is calculated by removing amortization of product know-how and any corresponding tax effects.

Segment Performance. Both the Banking and Retail segments of our business will contribute to the Group's overall growth in the next two fiscal years.

Maintaining and Enhancing our Financial Strength. Our goal is to further improve the equity ratio in fiscal 2006/2007. We will seek to keep the amount of funds tied up in the Group, and with it the ratio of working capital to net sales, at a low level. We also expect to see an improvement in operating cash flow. The figure for net financial liability is expected to lie below the average of recent years.

Targeted Capital Investment Projects. Over the course of the next two fiscal years, we intend to make further targeted capital investments in Germany and Asia, expand our production structures and strengthen our international services and sales activities. We will also maintain an acquisitions policy that provides for individual company purchases on a relatively small scale to complement our service activities.

Workforce. In terms of employee numbers, we expect to pass the 8,000 mark within the entire Group in fiscal 2006/2007 (compared to 7,787 in the year under review). This increase will be concentrated outside Germany and will primarily serve to build up our service and sales resources, as well as research and development. There are likely to be further appointments in the following year. However, the scale of this increase will depend on achieving anticipated sales growth and productivity targets. New personnel will also be weighted toward our faster-growing regional markets outside Germany.

In fiscal 2006/2007, we will hold a series of new pay negotiations with the majority of our employees in Germany, in an effort to maintain the competitiveness of the German workforce as part of our global operating network.

Research and Development. With a view to expanding our portfolio and taking advantage of our strength in the field of innovation, we will devote increasing investment to research and development in the coming years, thus maintaining our established R&D ratio of around 4.5% of net sales. The main focus of our development work is likely to remain constant for the foreseeable future.

Purchasing. We expect the trend toward falling prices of our products and services to continue in the next few years. As part of the "Prolmprove" program, we will collaborate with our suppliers and partners to develop and implement appropriate solutions to compensate for receding prices. One such measure involves pooling our purchasing volumes by means of a procurement management system in order to reduce costs. On the manufacturing side, we intend to expand our global production and development network still further. Our aim is to mesh our own processes even more closely with those of our suppliers. This will allow us to optimize logistical processes, improve reliability of supply and streamline costs. By globalizing our procurement operations, we hope to offset the impact of higher prices for raw materials, which are generally traded on the world market in U.S. dollars. This trend is likely to continue in both 2006/2007 and 2007/2008.

Opportunities. We believe we hold a very strong competitive hand within our markets. Thanks to our impressive record of innovation and a comprehensive portfolio of services, we are in a position to identify potential opportunities and translate them into new growth.

We are likely to benefit from continuing optimization pressures in our target sectors and are well prepared to meet these demands through the ongoing development of our hardware and software as well as our IT services and solutions. From a geographical perspective, the European region, which for our target sectors is a particularly competitive one and also the region where we have the strongest presence, provides us with vital new impetus for the further development of highly complex solutions and services. In turn, this makes us more competitive at an international level.

We see particularly good prospects over the next few years in the American and Asia/Pacific/Africa markets, with the potential to achieve levels of growth well above those of the national economies of these regions. Our focus here is on two countries that could make a significant contribution to that growth: the United States, where we have improved our future business prospects by expanding our services infrastructure, and China, where we have succeeded in strengthening our competitive position, especially in the banking market.

Our solutions are also helping to promote economic growth in newly industrialized countries (NICs).

Our aim is to drive forward international growth through our network of subsidiaries. In addition, we will look to strengthen our established partnerships and expand our network of partners, particularly in markets such as Australia, New Zealand and the Arab states.

We believe that the levels of growth we have already achieved confirm our strategy of accelerating our service-based operations, and we expect to see continuing growth in both software and services. Sustained demand for outsourcing solutions offers further opportunities for growth.

In expanding our product business, we aim to exploit the opportunities that arise from our customers' requirements for replacement systems. Our strategy of offering innovative high-end solutions, such as in Intelligent Deposit for retail banks, reverse vending and self-checkout systems for the retail trade, is bearing fruit. These innovations allow us to respond to market demand both for highly complex system solutions geared toward the increasing automation of business processes and for volume-production systems. Regarding the latter, we are able to benefit particularly from the strong position we have developed through our global manufacturing network.

Risks. As outlined, we anticipate possible risks in the rising cost of raw materials and a further depreciation of the dollar vis-à-vis the euro. We also expect to face increased pressure on prices for our own products and services as a result of intense competition.

Our risk management system allows us to identify risks at an early stage across the entire Group and in relation to individual business streams, and to take appropriate action to minimize and avoid them. In this way, we can ensure we are well prepared to deal thoroughly with potential risks, including those arising from new business streams.

A more detailed picture and explanation of the risks affecting the Group can be found in the Risk Report.