



*Dear Ladies and Gentlemen,*

Wincor Nixdorf ends fiscal 2005/2006 in excellent shape and perfectly positioned to face the future.

Net sales growth of 12 percent and an increase in operating profit of 18 percent demonstrate how successful the fiscal year has been. What makes these results even more satisfying is the number of factors that have contributed to them. We registered a significant increase in our core business of providing IT solutions and services to banks and retailers. In addition, we managed to grow our business in sectors that we have been specifically targeting in recent years. Our operations benefited from the most encouraging growth seen in Germany for some time, coupled with the continuing successful internationalization of our activities. Beyond this, Wincor Nixdorf has clearly demonstrated that success in business and job creation are not incompatible with each other but can in fact coexist very well.

Our success is based on foundations accurately put in place to prepare Wincor Nixdorf for the future. The key principle guiding these activities was a strict focus on market and customer needs. The result was a series of highly effective innovations for high-end systems, net-centric software and modern services, not to mention better resources for our increasingly important Services business and a global production network that allows us to compete strongly in fast-growing regions.

Our success in outsourcing and in reverse vending machines shows that we are also capable of developing new business sectors.

Wincor Nixdorf is well positioned for further international growth. In Europe, having gained market leadership in the Retail segment, we are moving constantly closer to our stated objective of achieving the same in Banking. In parallel, we have strengthened our position globally for further expansion in regions of economic growth such as Eastern Europe, Asia/Pacific/Africa and the Americas. In two countries in which growth is of particular importance to us – the United States and China – we gained considerable momentum in the period under review.

Equally important, in my opinion, is the fact that Wincor Nixdorf is well on the way to having a comprehensive set of product and service solutions that enable it to support customers' entire branch processes, thus allowing banks and retailers to concentrate on their core business.

Outsourcing represents an excellent example of the changes that have taken place and of the tremendous potential we are gradually unlocking. Internationally renowned banks have entrusted us with the operation of their branch self-service systems and branch IT. A further example of our comprehensive solutions comes in the form of the cash-handling services we offer banks and retailers. We are therefore in an excellent position to create significant added value for our customers. In the long term, we see this activity as providing an essential interface between retailers and banks – an area in which we intend to draw on our core competency with the purpose of driving innovation and achieving processing solutions that are even more effective. Further areas in which we can apply our ability to provide complete solutions include optimal management of branch-level IT and security systems, including associated IT and self-service infrastructures.

All these examples underscore Wincor Nixdorf's commitment to continued, profitable growth. However, on the basis of the success achieved to date, we have considerably raised the bar we originally set ourselves. Nevertheless, our sights are firmly fixed on the growth targets set at the time of our Initial Public Offering (IPO) in 2004, namely an average six percent increase in net sales and an eight percent rise in profit. These are the targets we have set ourselves for fiscal 2006/2007.

The entire Wincor Nixdorf team has been a decisive factor in our success so far and will continue to be so in the future. We will never lose sight of this fact. On behalf of the Board of Directors, I would therefore like to thank all our employees, worldwide, for their commitment during the year gone by. While I thank you for your dedication in the past, I also urge you to remain steadfast in your determination to support the culture of success that characterizes our enterprise.

I would also like to thank our customers for their confidence placed in us. Customer trust and satisfaction with our performance exert a key influence on our business performance and, with it, the satisfaction of our shareholders.

For me, personally, the formidable track record achieved by our Company in recent times signals the right moment to hand over the reins at the head of Wincor Nixdorf to a younger pair of hands and step back from involvement in daily business. I do this with even greater peace of mind in the knowledge that Eckard Heidloff has unanimously been named as my successor. Not only have I worked closely with him for over 20 years, we also prepared and put in place all the foundations that underpin the Company today. Therefore, continuity of management is assured.

On the back of an extremely successful fiscal year and given the direction the Company has taken in business and staff development, I am confident that Wincor Nixdorf will continue to meet the challenges of the future and completely deliver on what is expected: satisfied customers, satisfied shareholders and satisfied employees.

*Sincerely, Karl-Heinz Stiller*

Karl-Heinz Stiller

▶ New Declaration of Compliance with the German Corporate Governance Code ▶ Five ordinary meetings of the Supervisory Board ▶ Shareholders able to submit voting instructions to the AGM by Internet ▶ Complete transparency in dealings within and outside the company

## CORPORATE GOVERNANCE.

At Wincor Nixdorf, responsible, transparent business management and control centered on the creation of sustained added value is an essential basis for business success. Board of Directors and Supervisory Board have issued the statutory statement of compliance in accordance with Section 161 of the German Stock Corporation Act, stating that Wincor Nixdorf is, with four exceptions, in compliance with the recommendations of the German Corporate Governance Code. Board of Directors and Supervisory Board monitor adherence to this Code. The statement of compliance, issued annually, is available permanently to all shareholders on the Internet at <http://www.wincor-nixdorf.com> under the heading of Investor Relations.

**Close Collaboration between the Board of Directors and the Supervisory Board.** A relationship based on close collaboration and mutual trust exists between the Board of Directors and the members of the Supervisory Board. The Board of Directors reports regularly to the Supervisory Board on the progress of business activities. There is an ongoing, constructive exchange of ideas and information with regard to strategy, corporate planning and company

profitability. For further details, please refer to the Report of the Supervisory Board on pages 14 et seqq.

The Supervisory Board conducted five scheduled meetings in the fiscal year under review. It also held one extraordinary meeting during this period. For further information, please refer to the Report of the Supervisory Board on pages 14 et seqq. The Supervisory Board has created three committees: a Mediation Committee pursuant to Section 27 (3) of the German Corporate Codetermination Act; a Personnel Committee dealing with staff issues that pertain to the Board of Directors; and an Audit Committee. No conflicts of interest arose among members of the Board of Directors or the Supervisory Board. For further details of the Company's boards, please refer to the notes to the consolidated financial statements on pages 104 et seqq.

**Internal and External Transparency.** When interacting with the Company's shareholders, we pursue to provide comprehensive, continuous and prompt information. At the Annual General Meeting of Shareholders (AGM) on January 29, 2007, we will again appoint a proxy vote representative in order to enable shareholders not attending



the AGM to exercise their voting rights. Shareholders will be able to issue their instructions via the Internet prior to the AGM.

With a view to ensuring prompt, open communication with the public, we provide detailed documents and information on our website. This includes AGM information, financial reports, current ad hoc announcements and press releases. Our Internet content also includes the Company's articles of association and information on Directors' Dealings.

We have approved an Insider Dealing Directive aimed at avoiding insider dealing by Company employees. The employees and Board members named on the Insider List are prohibited from undertaking transactions in Wincor Nixdorf shares or related financial instruments during certain periods before and after publication of quarterly and annual results.

Whether directly or indirectly, Board of Directors and Supervisory Board hold shares or options in Wincor Nixdorf AG worth more than 1% of subscribed capital. Together, the four members of the Board of Directors hold 1.39% and the members of the Supervisory Board 0.05% of subscribed capital.

Details of Directors' Dealings pursuant to Section 15a of the German Securities Trading Act can be downloaded from the Company's website, Investor Relations section.

Supplementary information on the Company's boards can be found in the notes to the consolidated financial statements.

**Risk Management System for Value-led Management of the Company's Affairs.** A properly functioning risk management system is necessary for responsible governance. The risk management system at Wincor Nixdorf is geared toward meeting the practical requirements of our business. It is designed to highlight risks at an early stage and, where they occur, to help avoid or limit them. Details are provided in the section entitled "Risk Report" on pages 90 et seqq.

**Pursuant to Section 7.4.1. of the German Corporate Governance Code, the key subsidiaries of Wincor Nixdorf are listed in the table below:**

	Holding %	Equity as of Sept.30,2006 €k	Profit 2005/2006 €k
Wincor Nixdorf International GmbH, Paderborn, Germany	100	216,464	55,036
Wincor Nixdorf Facility GmbH, Paderborn, Germany	100	50,000	0 <sup>1)</sup>
Wincor Nixdorf Real Estate GmbH & Co. KG, Paderborn, Germany	100	27,627	0
Wincor Nixdorf Logistics GmbH, Paderborn, Germany	100	25	0 <sup>1)</sup>
Wincor Nixdorf SAS, Montigny le Bretonneux (France) (Formerly: Wincor Nixdorf Systèmes Bancaires S.A.S, Plaisir, France)	100	18,306 <sup>2)</sup>	2,406 <sup>2)</sup>
Wincor Nixdorf Ltd., Wokingham, United Kingdom	100	20,345	2,686
Wincor Nixdorf Pte. Ltd., Singapore	100	32,380	12,362

<sup>1)</sup> Profit and loss transfer agreement in place.

<sup>2)</sup> Before merger with Wincor Nixdorf S.A., Nanterre, France.

Under Section 161 of the German Stock Corporation Act, the management and supervisory boards of listed companies must make a declaration each year stating that the recommendations of the "Code of the Government Commission on German Corporate Governance" published by the German Federal Ministry of Justice in the official section of the Federal Gazette (electronic version) have been met. It must also specify which recommendations are not being applied.

**Four Exceptions to the Corporate Governance Code.** As required by Section 161 of the German Stock Corporation Act, the Board of Directors and the Supervisory Board issued a new declaration of compliance on November 30, 2006.

Since its last declaration of compliance on November 30, 2005, Wincor Nixdorf AG has complied with the recommendations of the German Corporate Governance Code (version dated June 2, 2005) and with the recommendations of the revised version of the Code, which took effect on June 12, 2006, apart from the following exceptional instances listed below:

– **The D&O insurance policy agreed by Wincor Nixdorf AG for its Board of Directors and Supervisory Board does not feature a policy excess (GCGC, Section 3.8 Paragraph 2).**

The D&O insurance policy agreed by Wincor Nixdorf AG for its Board of Directors and Supervisory Board does not feature a policy excess. The D&O insurance is in place for a significant number of management staff across the entire Wincor Nixdorf Group at home and abroad, including members of the Company boards. For this reason, it does not appear proper to differentiate between Board members on

the one hand and other management staff on the other. A policy excess is not customary outside Germany.

– **Limited disclosure of the remuneration of the Board of Directors (GCGC, Sections 4.2.4 and 4.2.5).**

Wincor Nixdorf AG has not disclosed the total remuneration of each individual member of the Board of Directors citing the name of each member and has not included a breakdown of remuneration into the categories "fixed compensation", "performance-related compensation" and "long-term incentive components" (GCGC, Section 4.2.4 version dated June 2, 2005). Wincor Nixdorf AG will comply with the legal obligation of individual disclosure, as introduced by the Management Board Remuneration Disclosure Act ("Vorstandsvergütungs-offenlegungs-Gesetz") of August 3, 2005, in future reports (i.e. from the fiscal year October 1, 2006, to September 30, 2007, when the new Act first applies to Wincor Nixdorf).

The remuneration of the Board of Directors is not disclosed in a specific compensation report that gives details of the remuneration system in a generally understandable form as part of the overall Corporate Governance report (GCGC, Section 4.2.5 Paragraph 1 in the version dated June 12, 2006).

The presentation of the specific structure of a share option plan or comparable schemes for components with a long-term incentive effect and risk exposure does not include details of their value. In the case of agreed pension commitments, the allocations made to pension accruals or pension funds are not shown each year (GCGC, Section 4.2.5 Paragraph 2 in the version dated June 12, 2006).

**The nature of fringe benefits provided by the Company has not been specified in a compensation report (GCGC, Section 4.2.5 Paragraph 3 in the version dated June 12, 2006).** For reasons of privacy, the remuneration paid to members of the Board of Directors is not stated for each individual director. It is for this same reason that such data is not disclosed in a compensation report. Instead, we explain the structure of the remuneration system by offering the relevant information in this annual report. In addition to the stated total remuneration paid to the Board of Directors, pension accruals for members of the Board of Directors are shown separately.

**– In setting the level of remuneration paid to members of the Supervisory Board, no account is taken of chairmanship of any committee other than the Audit Committee and of membership of any of the Supervisory Board committees (GCGC, Section 5.4.7 Paragraph 1 Sentence 3).** Remuneration for mere membership of a committee is deemed unnecessary. As regards the activities of the Supervisory Board, practice has shown that the vast majority of committee meetings are scheduled to coincide closely with meetings of the Supervisory Board itself. Chairmanship of the Audit Committee is remunerated separately due to the additional time and effort required by the role.

**– Members of the Supervisory Board are not paid any performance-related remuneration in addition to their fixed emoluments (GCGC, Section 5.4.7 Paragraph 2 Sentence 1).** The Company has decided to monitor the development of relevant case law in order to establish a firm foundation for appropriate arrangements within this area.

It would appear that legal debate concerning this issue has yet to be concluded, as evidenced by court rulings in recent years regarding the prohibition of share options for Supervisory Board members.

Wincor Nixdorf AG will comply in future with the recommendations of the "Code of the Government Commission on German Corporate Governance" in the version dated June 12, 2006, apart from the following exceptions (see explanations above):

- The D&O insurance policy agreed by Wincor Nixdorf AG for its Board of Directors and Supervisory Board does not feature a policy excess (GCGC, Section 3.8 Paragraph 2).**
- In setting the level of remuneration paid to members of the Supervisory Board, no account is taken of chairmanship of any committee other than the Audit Committee and of membership of any of the Supervisory Board committees (GCGC, Section 5.4.7 Paragraph 1 Sentence 3).**
- Members of the Supervisory Board are not paid any performance-related remuneration in addition to their fixed emoluments (GCGC, Section 5.4 Paragraph 2 Sentence 1).**

**Audit of the Consolidated Financial Statements by KPMG.** The consolidated financial statements of Wincor Nixdorf AG for the fiscal year ended September 30, 2006, have been prepared in accordance with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), London, and valid at the end of the reporting period. The consolidated financial statements have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.

**Stefan Auerbach**

Member of the Board of Directors, responsible for the Banking business

■ Born 1963. ■ Joined Nixdorf in 1983. Member of the Executive Board since 1999 and responsible for the worldwide Services business. ■ Member of the Board of Directors, since October 1, 2005.

**Karl-Heinz Stiller**

President and Chief Executive Officer (CEO)

■ Born 1942. ■ Joined Nixdorf in 1966, Divisional Director, then Executive Director and Managing Director of all predecessor companies. ■ President and CEO, since IPO in 2004.



**Jürgen Wilde**

Member of the Board of Directors, responsible for the Retail business

■ Born 1947. ■ Joined Nixdorf in 1972. Appointed as sales manager in 1993. Member of the Executive Board since 1999, responsible for the Retail business. ■ Member of the Board of Directors, since October 1, 2005.

**Eckard Heidloff**

Chief Financial Officer (CFO), Chief Operating Officer (COO)

■ Born 1956. ■ Joined Nixdorf in 1983. Head of Group Financial Accounting and Controlling since 1989 and Director of Commercial Operations since 1994. ■ CFO since IPO; COO since October 1, 2005.



## SUPERVISORY BOARD REPORT.

### **Dear Shareholders,**

Wincor Nixdorf AG can look back on a successful fiscal year 2005/2006. Our international business has grown, and we have strengthened our position as one of the leading providers of IT solutions for retail banking and the retail trade. The Company pushed forward with its efficiency improvement program, with the purpose of boosting international competitiveness. All these factors have contributed to improved net sales and operating profit. The Supervisory Board monitored and assisted the successful work carried out by the Board of Directors in the period under review.

**The Work of the Supervisory Board.** In fiscal 2005/2006, the Supervisory Board of Wincor Nixdorf AG fulfilled its duties in accordance with statutory requirements and the Company's articles of association. First and foremost, this task involved advising and monitoring the Board of Directors on a regular basis as it led and managed the business. As part of this collaborative approach, the Board of Directors discussed and agreed to all decisions of a fundamental nature for the Company and its Group subsidiaries directly with the Supervisory Board and informed us in a regular, timely and comprehensive manner by means of verbal and written reports of all material matters related to corporate planning, strategic direction and development, business performance and the state of the Group, including risks and risk management activities. All business matters of importance to the Company were aired and discussed by the Supervisory Board based on reports provided by the Board of Directors.

The Supervisory Board held five scheduled meetings over the fiscal year 2005/2006, in which the Board of Directors kept us informed about the development of the Company. In addition to these five scheduled meetings, we held an extraordinary meeting the day before the Annual General Meeting of

Wincor Nixdorf AG shareholders. The only item on the agenda for this meeting was the Supervisory Board's proposal to the AGM of Prof. Dr. Harald Wiedmann as a replacement candidate for a position on the Supervisory Board representing the shareholder group. The initial candidate, Edward A. Gilhuly, had notified us that he would not be able to stand for election. Apart from the aforementioned, there were no other circumstances necessitating further extraordinary meetings of the Supervisory Board or specific supervisory measures. The five scheduled meetings were held on November 30, 2005, as well as February 21, April 24, July 26 and September 19, 2006. Karl-Heinz Stiller and Eckard Heidloff attended all meetings in their capacity as members of the Board of Directors. All the necessary resolutions were passed at these meetings on the basis of documentation prepared in advance on the issues to be decided. Between each meeting, the Board of Directors kept me promptly and fully informed about important events of particular significance in assessing the position and performance of the business and in managing and leading the Company. In addition, I was in continuous contact with the Board of Directors and was furnished with details about our current business position and significant occurrences, developments and decisions.

The Supervisory Board analyzed the efficiency of its activities at regular intervals.

**Key Areas of Deliberation by the Supervisory Board.** The Supervisory Board regularly discussed the business, net sales and operating profit performance of the Group and its segments at its individual meetings. We also looked at matters concerning the Group's cash flows, the implementation of strategy and HR development.

The Supervisory Board paid special attention in its meetings to the Company's development as an integrated solutions provider, the issue of outsourcing and the implementation of a Contractual Trust Arrangement (CTA). The CTA has allowed us to safeguard our pension commitments by appointing an independent trustee to administer the pension obligations of Wincor Nixdorf AG and its German subsidiaries by means of a corresponding transfer of assets to the trustee.

At its meeting on September 19, 2006, the Supervisory Board gave its approval to the fiscal 2006/2007 budget proposed by the Board of Directors and to the medium-term strategic business development plan.

**Committee Work.** The work of the Supervisory Board is supported by three committees, whose role is to prepare the ground for Supervisory Board resolutions and to examine issues to be addressed subsequently in plenary sessions. In certain cases, the Supervisory Board delegated decision-making authority to its committees.

With the exception of the Audit Committee, which is chaired by Supervisory Board member Hero Brahms, committees are chaired by the Chairman of the Supervisory Board.

The Audit Committee convened three times in the fiscal year under review. The main focus of its work was the audit of the annual accounts and the consolidated financial statements for Wincor Nixdorf AG, the

fiscal 2006/2007 budget and the Contractual Trust Arrangement (CTA). Other issues addressed were the Company's risk report and risk management policy.

The Personnel Committee authorized the issue of stock options to members of the Board of Directors and to Wincor Nixdorf employees.

The Mediation Committee did not have to convene during the fiscal year just ended; no conflicts of interest occurred during the period under review. There are no further committees.

**Corporate Governance and Declaration of Compliance.** With regard to Corporate Governance, this annual report contains a separate section with a report by the Board of Directors, issued also on behalf of the Supervisory Board, pursuant to Section 3.10 of the German Corporate Governance Code. The Board of Directors and the Supervisory Board issued an updated declaration of compliance pursuant to Section 161 of the German Stock Corporation Act on November 30, 2006, and made the declaration, along with details of non-compliance, permanently available to shareholders on the Company website.

**Approval of the Annual Accounts and Adoption of the Consolidated Financial Statements.** On February 21, 2006, the Annual General Meeting of Shareholders appointed KPMG Deutsche Treuhand-Gesellschaft AG, Bielefeld, as auditors of the accounts. The annual accounts for the fiscal year from October 1, 2005, to September 30, 2006, prepared by the Board of Directors under German statutory accounting regulations (German GAAP) pursuant to the German Commercial Code, and the Management Report of Wincor Nixdorf AG have been audited by KPMG and given an unqualified audit opinion. The Wincor Nixdorf AG consolidated financial statements for the same year have been prepared under IFRS.

The auditor has issued an unqualified audit opinion for the annual German GAAP accounts of Wincor Nixdorf AG and the consolidated IFRS financial statements of Wincor Nixdorf AG.

The audit reports by KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft for the annual accounts and the consolidated financial statements were sent in a timely manner to all Supervisory Board members, together with the annual German GAAP accounts and the consolidated IFRS financial statements.

The Audit Committee commenced its detailed review of the Company accounts and the consolidated financial statements at its meeting on November 30, 2006, with the auditors in attendance. This was immediately followed by a comprehensive discussion of both sets of accounts by the complete Supervisory Board. The auditor was present at the meetings of both bodies at which he reported on his audit activities and was available to provide detailed complementary information.

Following detailed examination of the annual accounts, the consolidated financial statements, the management report and the Group management report, we concurred with the results of the auditor's audit and approved the annual accounts and the consolidated financial statements at our meeting on Novem-

ber 30, 2006, in accordance with the Audit Committee's recommendation issued the same day. As such, the annual accounts have been approved. We agreed with the proposal made by the Board of Directors regarding the appropriation of net income (profit available for distribution).

The Supervisory Board also determined its proposed resolutions for the agenda of the Company's Annual General Meeting of Shareholders to be held on January 29, 2007, and approved this Supervisory Board report.

**Composition of the Supervisory Board.** In accordance with Section 7 of the Company's articles of association, the Supervisory Board consists of six shareholder representatives and six employee representatives. No conflicts of interest occurred within the Supervisory Board during the period under review. The terms of office of Hero Brahms, Walter Gunz and Prof. Walter Kröll continue up to the Annual General Meeting responsible for approving their actions for the fiscal year 2007/2008. The terms of office of the six employee representatives, those of Dr. Alexander Dibelius and Dr. Harald Wiedmann and my own term of office as Chairman of the Supervisory Board are due to expire at the end of the Annual General Meeting that will resolve a motion on the approval of our actions for the fiscal year 2009/2010. However, irrespective of my term of office, I informed the Supervisory Board at our meeting on November 8, 2006, that for personal reasons I intended to step down as Chairman at the end of the next ordinary AGM on January 29, 2007, and that a successor shall be appointed to replace me. At the same meeting, following a thorough discussion, the Supervisory Board adopted a resolution to propose Karl-Heinz Stiller for election as my replacement on the Supervisory Board. Mr. Stiller will step down from his current position as President and Chief Executive Officer of Wincor Nixdorf AG at the end of the next ordinary AGM and resign from the Board of Directors. After careful deliberation, the Supervisory Board unanimously agreed that his outstanding experience, understanding of the Company's operations and knowledge make him an ideal candidate for this office and that his election to the Supervisory Board would be in the acknowledged best interest of Wincor Nixdorf AG. It is these particular qualities of Karl-Heinz Stiller that led the Supervisory Board to propose his election.

The Supervisory Board wishes to express its thanks to the Board of Directors and all employees and employee representatives for their successful efforts during the year under review.

Paderborn, November 30, 2006



Johannes P. Huth

Chairman of the Supervisory Board