

# GROUP INTERIM MANAGEMENT REPORT OF WINCOR NIXDORF AG.

## BUSINESS ENVIRONMENT.

**Global Economy.** Prospects for the global economy as a whole have continued to deteriorate in recent months. The crisis emanating from the financial markets has now also engulfed the real economy, with signs of a global downturn in economic growth. Economic research institutes anticipate that not only the U.S. but also large sections of the European economy will be hit by recession in 2009. The Asia-Pacific region is also expected to face a further slowdown in economic growth.

**Developments in the Banking and Retail Industries.** In the wake of the U.S. sub-prime mortgage crisis the banking industry was buffeted by severe turbulence during the quarter under review. In these conditions, the retail banking segment proved to be a relatively stable factor within an industry that has become extremely volatile in some areas. Operating within this environment, the majority of banks are preparing themselves for a protracted period of intense competition. Against this backdrop, "cost" has become a factor of increasing importance, a trend reflected in the growing drive towards process automation as well as efforts to standardize IT structures following company mergers and acquisitions. The retail industry is also characterized by relentless competition and capital expenditure directed at operational streamlining. In parallel, many retail groups are continuing to pursue strategies centered around corporate expansion. At the same time, there is evidence to suggest that the retail industry as a whole has become more sensitized to economic downturn.

## PERFORMANCE, FINANCIAL POSITION AND ASSETS.

### PERFORMANCE.

**Net Sales.** In the first quarter of fiscal 2008/2009, the Wincor Nixdorf Group increased its net sales by 7% to €646 million (3 months 2007/2008 [hereafter "previous year"]: €602 million). Adjusted for exchange rate effects between the euro and the U.S. dollar, net sales grew by 5%.

**Regional Performance.** In Germany, net sales for the first quarter were up 12% to €155 million (previous year: €138 million). They accounted for 24% (previous year: 23%) of total net sales.

As in the first three months of the previous year, net sales in Europe (excluding Germany) amounted to €333 million. At 52% (previous year: 55%), Europe generated the largest share of total net sales for the Group.

Asia/Pacific/Africa proved to be the most significant growth driver in the first three months of the fiscal year, producing a 23% increase in net sales. Compared to the same period a year ago, net sales climbed to €100 million in the quarter under review (previous year: €81million). Calculated on the basis of U.S. dollars, net sales improved by 11%. In total, Asia/Pacific/Africa contributed a share of 15% (previous year: 14%).

Net sales in the Americas rose by 16% to €58 million (previous year: €50 million) in the period under review. Calculated on the basis of U.S. dollars, this corresponded to an increase of 5%. The proportion of total net sales for the Group generated in the Americas rose to 9% (previous year: 8%).

**Performance by Business Stream.** In the first quarter of fiscal 2008/2009, net sales attributable to Hardware business rose by 4% year on year to €373 million (previous year: €358 million). Net sales from Software/Services increased by 12% to €273 million (previous year: €244 million).

The share of net sales from Hardware stood at 58% of overall business (previous year: 59%). Correspondingly, the proportion of net sales from Software/Services rose to 42% (previous year: 41%).

**Costs.** The gross margin on net sales before carve-out charges declined by 0.9 percentage points in the period under review, down from 26.6% in Q1 2007/2008 to 25.7% in the first three months of fiscal 2008/2009.

Research and development expenses rose by €1 million to €24 million (previous year: €23 million), a 4% increase compared with the same period a year ago. The R&D ratio was 3.7% (previous year: 3.8%).

Selling, general and administration expenses including other operating income and expenses amounted to €86 million (previous year: €85 million). This moderate increase in relation to net sales growth was mainly attributable to the Group-wide "Prolmprove" program, which forms the basis for efficient cost management. Calculated in relation to net sales, the selling, general and administration expense ratio was driven down by 0.8 percentage points to 13.3% (previous year: 14.1%).

#### Reconciliation of Result from Business Operations (EBITDA).

	€m	
	1st quarter 2008/2009	1st quarter 2007/2008
Profit for the period	35	32
+ Income taxes	15	14
+ Financial result	4	3
+ Amortization of product know-how (exceptional item)	2	3
<b>EBITA before amortization of product know-how</b>	<b>56</b>	<b>52</b>
+ Amortization/Depreciation of property rights, licenses and property, plant and equipment	12	9
+ Write-down of reworkable service parts	1	1
<b>EBITDA before amortization of product know-how</b>	<b>69</b>	<b>62</b>

**Profit.** In the first quarter of fiscal 2008/2009, earnings before interest, taxes and amortization of product know-how (EBITA) grew by 8%, reaching €56 million in total (previous year: €52 million). The EBITA margin improved by 0.1 percentage points to 8.7% (previous year: 8.6%).

Profit for the first three months of the fiscal year rose to €35 million, which was up €3 million or 9% on last year's quarterly figure of €32 million. First-quarter profit before carve-out charges grew by 9% to €37 million (previous year: €34 million).

## FINANCIAL POSITION.

<b>Cash flow.</b>			€m
	1st quarter 2008/2009	1st quarter 2007/2008	
Cash flow from operating activities	73	72	
Cash flow from investment activities	-19	-13	
Cash flow from financing activities	1	-15	
<b>Change in liquidity</b>	<b>55</b>	<b>44</b>	
<b>Cash and cash equivalents at the end of the period<sup>1</sup></b>	<b>52</b>	<b>33</b>	

<sup>1</sup> include cash and cash equivalents as well as current bank borrowings.

Cash flow from operating activities remained largely unchanged year on year at €73 million for the first quarter of 2008/2009 (previous year: €72 million). Within this context, the rise in EBITDA by 11% to €69 million (previous year: €62 million) provided the basis for operating cash flow. Income tax payments resulted in a reduction in funds by €12 million (previous year: €8 million). Compared to September 30, 2008, working capital was scaled down significantly by €32 million to €221 million. The associated inflow of cash in the amount of €32 million was comparable to that recorded in the same period a year ago (previous year: €36 million). The net change in other assets and the remaining other liabilities as well as provisions produced a cash outflow of €15 million (previous year: €17 million)

At €19 million, net cash used in investing activities was considerably higher than for the same period a year ago (previous year: €13 million). This year-on-year increase was attributable mainly to the €5 million payment made at the beginning of the current fiscal year for an ownership interest acquired in Bankberatung Organisations- und IT-Beratung für Banken AG during fiscal 2007/2008. The emphasis of investment spending was on intangible assets and other fixed assets and office equipment.

Financing activities resulted in a slight cash outflow of €1 million. By contrast, net cash used in financing activities during the first quarter of the previous fiscal year had stood at €15 million mainly due to treasury share purchases.

Cash flow from operating activities was used mainly for the purpose of scaling back net debt to €141 million.

## ASSETS.

<b>Assets.</b>			€m
	Dec. 31, 2008	Sept. 30, 2008	
<b>Assets</b>			
Non-current assets	546	552	
Current assets	760	722	
<b>Total assets</b>	<b>1,306</b>	<b>1,274</b>	
<b>Equity and Liabilities</b>			
Equity (incl. minority interest)	312	276	
Non-current liabilities	250	240	
Current liabilities	744	758	
<b>Total equity and liabilities</b>	<b>1,306</b>	<b>1,274</b>	

Compared to September 30, 2008, the balance sheet total rose by €32 million or 2.5% to €1,306 million.

As regards total assets, current assets saw an increase in cash and cash equivalents by €54 million to €70 million (Sept. 30, 2008: €16 million) as a result of cash inflows toward the end of the 2008 calendar year. By contrast, trade receivables declined by €14 million to €349 million (Sept. 30, 2008: €363 million).

The increase in total equity and liabilities was attributable mainly to the rise in equity by €36 million to €312 million (Sept. 30, 2008: €276 million). This was due almost entirely to first-quarter profit of €35 million (previous year: €32 million).

## SEGMENT REPORTING.

**Segment performance.** The Banking segment performed extremely well in the first quarter, achieving net sales growth of 12% to €456 million (previous year: €406 million). EBITA generated by the Banking segment rose by €5 million to €46 million (previous year: €41 million) in the first three months of the fiscal year, outpacing last year's figure by 12%.

### Key Performance Indicators: Banking Segment. €m

	1st quarter 2008/2009	1st quarter 2007/2008	Change
Net sales	456	406	12%
EBITA	46	41	12%
EBITA margin (%)	10.1	10.1	-

At €190 million (previous year: €196 million), net sales within the Retail segment were down by a slender 3% on last year's first-quarter figure. At €10 million, EBITA for the Retail segment was down on last year's figure (previous year: €11 million) which is equivalent to a decrease of 9%.

### Key Performance Indicators: Retail Segment. €m

	1st quarter 2008/2009	1st quarter 2007/2008	Change
Net sales	190	196	-3%
EBITA	10	11	-9%
EBITA margin (%)	5.3	5.6	-

## EMPLOYEES.

Up to and including December 31, 2008, the headcount for the Group as a whole increased by 130 to 9,590 compared to September 30, 2008 (Sept. 30, 2008: 9,460). Recruitment efforts were aimed at enhancing the Group's business activities within the area of services and driving international expansion in growth markets.

## REPORT ON MAJOR RELATED-PARTY TRANSACTIONS.

There were no significant transactions with related parties during the period under review.

## REPORT ON OPPORTUNITIES AND RISKS.

In the period under review, there were no significant changes to the principal opportunities and risks described in the 2007/2008 Group management report that may have a material effect on the expected development of the Group in the remaining months of the current fiscal year. The other opportunities and risks described in the 2007/2008 Group management report with regard to the expected development of the Group up to the end of the reporting period continue to apply without any material changes.

## REPORT ON EXPECTED DEVELOPMENTS.

The future direction of the global economy is difficult to predict, particularly as the full extent of the crisis to have engulfed the international financial markets and the real economy remains somewhat unclear. Indeed, even leading economic research institutes are as yet unable to provide a reliable projection of future developments.

Against this backdrop of uncertainty, the fact is, however, that the general economic conditions have deteriorated significantly since the beginning of current fiscal year in October 2008, as a result of which the anticipated growth rates have been revised downwards for all economic regions within the global economy. In view of these circumstances, those markets formerly producing high levels of growth are now no longer in a position to offset weaknesses in other regions.

Having said that, this scenario also opens up certain possibilities for Wincor Nixdorf's business activities, as banks and retailers embrace the principles of corporate streamlining and focus more closely on "costs" as an important factor in their operations. Offering an extensive portfolio of products and services, Wincor Nixdorf is well positioned to seize these opportunities. Therefore, the company is cautiously optimistic with regard to its medium-term development, as sector-specific trends within the area of retail banking and retailing, such as intense competition, considerable requirements for streamlining, globalization as well as standardization, continue to apply to these segments of the economy.

With this in mind, Wincor Nixdorf anticipates that both net sales and EBITA for fiscal 2008/2009 as a whole will progress at a level similar to that seen in the previous fiscal year. However, as expenditure cuts within the area of retail banking and retailing cannot be ruled out entirely in response to deteriorating conditions in the economy as a whole, business development may in fact be less dynamic in the short term. The company has made suitable preparations by initiating measures to bring greater flexibility to its cost structures.