

## GROUP INTERIM MANAGEMENT REPORT.

### BUSINESS ENVIRONMENT.

**Global Economy.** The slowdown in overall economic growth has continued. For 2009, economic research institutes as well as the International Monetary Fund (IMF) are predicting the worst recession since the Second World War, with the United States, Japan, the United Kingdom and Eastern Europe likely to be hardest hit.

**Developments in the Banking and Retail Industries.** The effects of the current economic crisis are clearly visible in the retail banking and retail industries, with both suffering from a downturn in the scale of proposed investment. Nevertheless, we are seeing demand for modern IT-based concepts that aim to maximize efficiency and minimize costs in response to ever increasing competition.

### PERFORMANCE, FINANCIAL POSITION AND ASSETS.

#### Performance.

**Net Sales.** In the first three quarters of fiscal 2008/2009, the Wincor Nixdorf Group achieved net sales of €1,729 million (9 months 2007/2008 [referred to hereafter as "previous year"]: €1,738 million), equivalent to a decline of 1%. In the third quarter, net sales for the Group were down 11% at €496 million (previous year: €555 million). Expressed in U.S. dollars, net sales in the reporting period fell by a calculated 4%. However, to a large extent the exchange rate effects associated with the strengthening of the U.S. dollar were offset by the decline of other currencies.

**Regional Performance.** Net sales in Germany for the first nine months of the current fiscal year rose by 17% to €484 million (previous year: €412 million), thus accounting for 28% (previous year: 24%) of total net sales. In the third quarter, net sales in Germany were up 3% on the same quarter in 2007/2008 at €149 million (previous year: €145 million).

At €805 million (previous year: €921 million), net sales in Europe (excluding Germany) showed a decline of 13% in the first three quarters, although this region was still responsible for the largest contribution to total group net sales at 47% (previous year: 53%). Net sales for the third quarter in Europe (excluding Germany) were down 21% at €228 million (previous year: 289 million).

Net sales in the Asia/Pacific/Africa region climbed 13% to €294 million (previous year: €261 million), boosting the region's share of total Group net sales to 17% (previous year: 15%). However, in the third quarter of the current fiscal year, net sales in the Asia/Pacific/Africa region were down 5% at €75 million (previous year: €79 million). In U.S. dollar terms, net sales for the first three quarters showed a small decrease of 1%.

Over the first three quarters of the current fiscal year, the Americas delivered a modest increase of 1% in net sales to €146 million (previous year: 144 million), thus maintaining its 8% share of total Group net sales. Net sales in the third quarter rose 5% to €44 million (previous year: €42 million). Expressed in U.S. dollar terms, net sales in the Americas were down 12% in the first nine months of the current fiscal year.

**Performance by Business Stream.** Net sales attributable to Hardware business fell 7% to €956 million in the first three quarters of the current fiscal year (previous year: €1,033 million). By contrast, net sales from Software/Services rose 10% to €773 million (previous year: €705 million).

The share of total net sales for the Group from Hardware for the reporting period stood at 55% (previous year: 59%), while the contribution made by Software/Services increased to 45% (previous year: 41%).

**Costs.** The gross margin on net sales before carve-out charges in the first three quarters stood at 25.8%, down 1.7 percentage points on last year's equivalent figure of 27.5%.

Research and development costs were up 4% in the reporting period to €78 million (previous year: €75 million). As a result, the R&D ratio rose slightly to 4.5% (previous year: 4.3%).

Selling, general and administration expenses including other operating income and expenses fell to €230 million over the reporting period (previous year: €251 million). This decline in costs was due to an intensification of the Group-wide "Prolmprove" program, which is the basis for an efficient management of costs. As a percentage of total net sales, the selling, general and administration expense ratio was reduced by 1.1 percentage points to 13.3% (previous year: 14.4%).

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

€m

	9 months 2008/2009	9 months 2007/2008
Profit for the period	87	93
+ Income taxes	38	40
+ Financial result	8	9
+ Amortization of product know-how (exceptional item)	5	10
<b>EBITA before amortization of product know-how</b>	<b>138</b>	<b>152</b>
+ Amortization/Depreciation of property rights, licenses and property, plant and equipment	35	33
+ Write-down of reworkable service parts	5	4
<b>EBITDA before amortization of product know-how</b>	<b>178</b>	<b>189</b>

**Profit.** Earnings before interest, taxes and amortization of product know-how (EBITA) in the first three quarters were down 9% at €138 million (previous year: €152 million). The EBITA margin fell 0.7 percentage points to 8.0% (previous year: 8.7%).

Profit for the first nine months stood at €87 million, down 6% on the corresponding figure of €93 million for 2007/2008. Profit for the period before carve-out charges showed a decline of 9% to €91 million (previous year: €100 million).

## Financial Position.

### Cash flow.

	€m	
	9 months 2008/2009	9 months 2007/2008
Cash flow from operating activities	154	159
Cash flow from investment activities	-49	-53
Cash flow from financing activities	-32	-78
<b>Change in liquidity</b>	<b>73</b>	<b>28</b>
Cash and cash equivalents at the end of the period <sup>1</sup>	71	16

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

In the first nine months of fiscal 2008/2009, cash flow from operating activities was €5 million lower at €154 million (previous year: €159 million). Despite a fall of 6% to €178 million (previous year: €189 million), EBITDA provided the basis for cash flow from operating activities. Income taxes paid of €47 million (previous year: €40 million) and interest paid of €7 million (previous year: €9 million) resulted in a cash outflow. Another key factor in cash flow from operating activities was the reduction in working capital by €61 million (previous year: €44 million). Changes in other assets and other liabilities as well as accruals again resulted in a cash outflow of €36 million (previous year: €30 million).

At €49 million (previous year: €53 million), cash flow from investing activities was slightly down on last year's figure. The main focus of investments was on intangible assets and other fixed assets and office equipment. Acquisition activities produced a cash outflow of €8 million (previous year: €2 million). A payment of €5 million was made at the beginning of the current fiscal year for the purchase of an interest in Bankberatung Organisations- und IT-Beratung für Banken AG, which was acquired in fiscal 2007/2008. Wincor Nixdorf expanded its business in North America by acquiring a 51% interest in Connections Canada Inc. (CCi). Wincor Nixdorf also took over a business unit of Siemens in the Philippines, thus strengthening its presence in the Asia/Pacific/Africa region.

Cash flow from financing activities resulted in an outflow of €32 million (previous year: €78 million). One of the major factors here was the dividend payment of €67 million (previous year: €88 million including a special dividend). In addition, the Group took out financial loans amounting to net €37 million (previous year: €54 million). In the previous fiscal year, €44 million had been used to repurchase treasury shares.

As of June 30, 2009, the cash flows outlined above brought the level of net debt down to €156 million (Sept. 30, 2008: €194 million).

## Assets.

	June 30, 2009	September 30, 2008
€m		
<b>Assets</b>		
Non-current assets	547	552
Current assets	716	722
<b>Total assets</b>	<b>1,263</b>	<b>1,274</b>
<b>Equity and Liabilities</b>		
Equity (incl. minority interest)	300	276
Non-current liabilities	295	240
Current liabilities	668	758
<b>Total equity and liabilities</b>	<b>1,263</b>	<b>1,274</b>

The balance sheet total fell slightly compared to September 30, 2008, and was down €11 million to €1,263 million.

As regards total assets, current assets saw an increase in cash and cash equivalents of €71 million to €87 million (Sept. 30, 2008: €16 million). By contrast, inventories reduced by €22 million to €256 million (Sept. 30, 2008: €278 million) and trade receivables by €54 million to €309 million (Sept. 30, 2008: €363 million).

The increase in non-current liabilities of €55 million to €295 million (Sept. 30, 2008: €240 million) was largely attributable to a more extensive use of the revolving facility and the associated rise in non-current financial liabilities of €40 million to €226 million (Sept. 30, 2008: €186 million). In parallel, current liabilities decreased by €90 million to €668 million (Sept. 30, 2008: €758 million).

## SEGMENT REPORTING.

**Segment Performance.** Net sales in the Banking segment showed a modest increase of 1% to €1,195 million (previous year: €1,183 million), although the figure for the third quarter was down 10%. EBITA generated in the Banking segment over the first nine months fell by 7% to €114 million (previous year: €122 million).

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

	9 months 2008/2009	9 months 2007/2008	Change
Net sales	1,195	1,183	1%
EBITA	114	122	-7%
EBITA margin (%)	9.5	10.3	-

Net sales generated in the Retail segment showed a year-on-year decrease of 4% to €534 million (previous year: €555 million) over the first nine months and 13% in the third quarter. Segment EBITA for the reporting period was down 20% at €24 million (previous year: €30 million).

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

	9 months 2008/2009	9 months 2007/2008	Change
Net sales	534	555	-4%
EBITA	24	30	-20%
EBITA margin (%)	4.5	5.4	-

## EMPLOYEES.

Up to and including June 30, 2009, the headcount for the Group as a whole declined by 69 to 9,391 (September 30, 2008: 9,460).

This change includes a reduction by 155 as well as an expansion of the workforce by 86 employees following acquisitions in the third quarter.

## 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, with one exception, there were no changes to the significant 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 deterioration in economic conditions, which had been outlined as a possible risk in the Group Management Report, has set in. The impact of these latest development as well as the associated measures are discussed in the Report on Expected Developments. The further 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 fiscal 2008/2009 continue to apply without any material changes.

## REPORT ON EXPECTED DEVELOPMENTS.

At the start of the second half of 2009, most of the world's major economic regions are in recession. Economic research institutes are predicting a fall in global economic output of up to three percent for the year as a whole. The International Monetary Fund (IMF) expects GDP to decline by 1.4 percent. To some extent, the rate of decline has been slower than in previous months. However, many analysts have warned that this does not indicate a foreseeable end to the crisis but merely the building of a foundation without recovery – one that is likely to last into 2010 and beyond.

Against this overall economic background, Wincor Nixdorf's regional performance was again uneven. Furthermore, we are currently experiencing a falling investment behavior of both retail banks and major retailers, especially when it comes to replacing existing systems. Therefore, the third quarter of fiscal 2008/2009 was, as expected, a difficult one for Wincor Nixdorf. On the other hand, the trend in both sectors towards greater efficiency and more user-friendly processes has continued, and large-volume requests for proposal are still placed on the market.

Given the current unpredictability of events, it is not possible to offer a firm outlook for the remaining of the fiscal year. Consequently, Wincor Nixdorf anticipates that net sales for fiscal 2008/2009 as a whole will be slightly below the level of the previous year. The operating result is expected to show a year-on-year decline as a result of pressure on margins.

Alongside the measures already introduced by Wincor Nixdorf to create more flexible cost structures and achieve a short-term reduction in its cost base, the company has now launched a program entitled "ProFuture" to realign its activities with a view to meeting the challenges that lie ahead. The aim of the program is to generate a sustained boost to performance in key areas.