

DECLARATION BY THE BOARD OF DIRECTORS.

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

The consolidated accounts have been compiled in accordance with International Financial Reporting Standards (IFRS).

Reporting conformity and compliance with statutory requirements is ensured at the instruction of the Board of Directors through the establishment of effective internal control systems within the businesses included in the consolidated accounts. In addition, training and education initiatives ensure that the responsible employees are able to meet the requirements made of them. Observance of the directives and regulations, and reliability and proper functioning of the control systems are subject to continuous checks performed by the internal audit function.

These initiatives and the reporting conducted in accordance with uniform directives across the Group ensure that numeric depiction of business activity represents a true reflection of reality and that the Board of Directors is in a position to identify changes in business and financial performance, together with 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 the requirements made of joint stock corporations (public limited companies), that developments potentially able to pose a risk to the continued existence of the company, Wincor Nixdorf Aktiengesellschaft, and the Wincor Nixdorf Group are perceived in good time and that corrective action can be

taken, wherever relevant. This also creates the basis for accurate information in the consolidated accounts and Group management report, including the individual company accounts forming part thereof.

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 Joint Stock Corporation Law, with the recommendations of the German Corporate Governance Code.

The consolidated accounts 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 auditors have prepared their corresponding report on this matter (page 113). The consolidated accounts, the Group management report and the auditor's report are discussed in detail in the Supervisory Board's Finance Committee, with the auditors in attendance. The Supervisory Board's report contains details of the outcome of these deliberations.

The Board of Directors of Wincor Nixdorf Aktiengesellschaft

MANAGEMENT REPORT 2004/2005.

BUSINESS ENVIRONMENT.

The World Economy. High oil and steel prices have had a negative impact on world economic growth in 2005. The International Monetary Fund (IMF) expects the world economy to grow by 4.3% in 2005. Economic output in all the world's key regions rose by 5.1% in 2004, a growth rate not seen for 30 years. However, the growth momentum declined somewhat during the latter half of the year.

According to the Organization for Economic Cooperation and Development (OECD), the high oil and steel prices are impacting the euro-zone more acutely than other parts of the world. The European economy is suffering from low consumer demand, and rising energy prices are expected to continue to have an unfavorable effect on consumer behavior. Exports are being subjected to additional pressure from the strong euro. The OECD predicts that member states of

the European Union (EU) will experience growth of 1.2% in 2005 (2004: 1.8%).

The German economy continues to lag behind the economic performance of other EU member states in 2005. Economic research institutes project that, after a weak first half, exports and capital investment will indeed rise during the second half of 2005, but that gross domestic product will increase by 1.0% at most. Weak domestic demand, primarily the result of the poor conditions in the labor market and the resultant uncertainty, is hindering economic growth.

The most important engine of growth of the global economy remains the United States. In 2004, U.S. gross domestic product (GDP) rose 4.2%. For 2005, the IMF projects GDP growth of 3.5%. Latin America again achieved strong growth after overcoming some crises.

Asia saw continuing growth in 2005. According to the Asian Development Bank (ADB), local economies are set to grow by an average of 6.6%. However, this growth will also have a negative effect on the world economy: Strong economic growth in Asia, particularly in China, is one of the causes behind the increase in the prices of oil and raw materials such as steel.

(Sources: International Monetary Fund (IMF), Organization for Economic Cooperation and Development (OECD) and the Asian Development Bank (ADB))

Currency Trends. The U.S. dollar depreciated significantly against the euro during the year under review. At its peak, the euro was worth US\$ 1.36, but by the end of the fiscal year, the euro's momentum had weakened significantly with one euro worth US\$ 1.20.

Developments in the Retail and Banking Sectors.

The **banking industry** continues to focus on growing the retail banking business as a stable source of profit. Key objectives include strengthening existing customer ties, winning additional retail customers through acquisitions and mergers and driving international growth. Competitive pressure is the main factor driving banks to deploy the latest information technologies in a move to reduce costs and boost efficiency. Banks continue to invest in retail banking systems and are working hard to expand their service offerings to clients. The trend is to use different sales channels in parallel. In this context, the traditional bank branch

remains a highly attractive means of promoting direct customer contact. Increasingly, branches are being equipped with complex, multifunctional products that offer new services or automate processes to reduce staff workload. Also in high demand are software solutions that strengthen customer relationships as part of a bank's customer loyalty activities. Another potential area is cost cutting by optimizing the cash flow cycle. Many banks also hope to achieve international growth through takeovers and mergers.

In geographical terms, the market offers a differentiated picture. Banks in Germany continued to invest cautiously while many retail banks in Western Europe invested in IT to rationalize their branch operations. Eastern European countries continued to experience strong market growth. Following the infrastructure replacement of recent years, banks in this region began equipping their branches with new self-service and automation solutions in line with growing customer expectations and demands. In North America, too, self-service and automation solutions remained in strong demand. This demand was driven in part by so-called "off-premises" providers that continue to expand their ATM networks. The Latin American market continued to grow at good levels. Strong competition among Asian financial institutions has also spurred growth. The worldwide trend toward expanding branch banking operations is now increasingly taking hold in Africa and the Middle East.

Banks are concentrating more heavily on their profitable core businesses and consolidating their IT structures. In so doing, they aim at harmonizing and optimizing their

existing IT platforms with a view to reducing costs. For this reason, many banks are outsourcing parts of their IT operations to IT service partners. Some, in fact, are signing contracts to outsource complete business processes such as ATM services and even their entire IT operations.

The **retail sector** is characterized today by large international corporations engaged in fierce competition. New business opportunities are emerging through their international expansion, particularly in Eastern Europe and Asia. Strong competition in domestic markets has resulted in price wars. Retailers are using new tailored services to differentiate themselves from competitors. All striving to streamline internal processes as much as possible, with IT seen as a key competitive tool. Standardized point-of-sale and store management software simplifies global deployment. At the same time, customers are being offered new self-service solutions such as self-checkout systems and reverse vending machines for returning bottles and other containers.

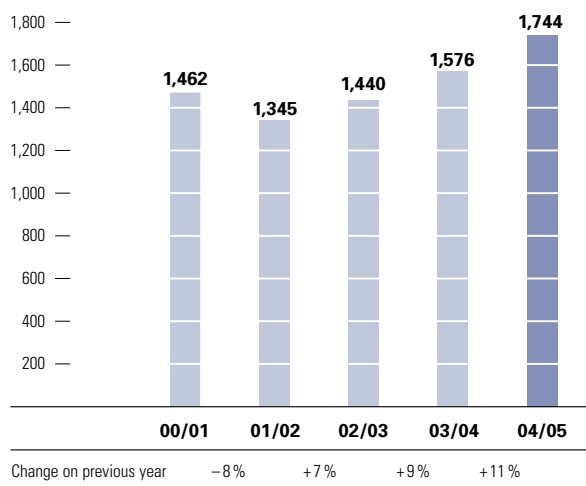
BUSINESS PERFORMANCE.

In fiscal 2004/2005, Wincor Nixdorf once again continued its successful business performance of previous years. Strong growth outside Germany encouraged the Company to continue its international expansion. Net sales revenue increased 11 % compared to the previous year. The Group also improved its profitability, growing operating profit (EBITA) by 17 %.

As a result, we outperformed our forecasts made at the beginning of fiscal 2004/2005 when we predicted 7 % growth in net sales revenue and an 8 % increase in operating profit (EBITA). We revised both targets in the second quarter upwards to a minimum 12 % rise in EBITA and a minimum 10 % increase in net sales revenue. As a result of our initiatives to expand business and improve performance, which proved better than expected, we were able to maintain our strong momentum for the entire fiscal year.

Net Sales History.

€m



Net Sales. The Group increased its net sales revenue to € 1,744 million in the fiscal year just ended, up 11% from € 1,576 million the year before. Excluding exchange rate fluctuations, net sales were up 12%. This increase was primarily the result of organic growth, with acquisitions contributing only € 27 million, or 1.7%, to the increase.

Regional Performance. Our international business was solely responsible for the rise in net sales revenue in the fiscal year, enabling us to internationalize our operations still further.

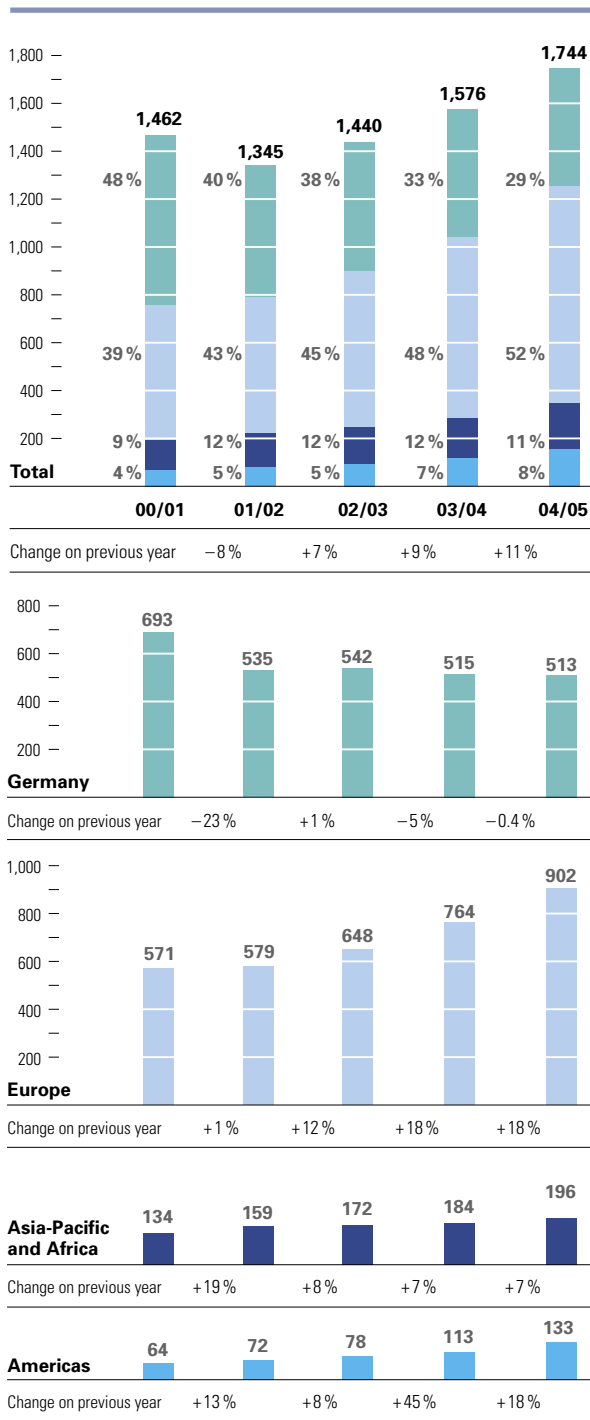
In Germany, net sales slipped 0.4% to € 513 million (previous year: € 515 million). These sales as a percentage of total revenue were down significantly to 29% (previous year: 33%).

Europe experienced strong growth with revenue up 18% to € 902 million (previous year: € 764 million). A key contributor to the positive development was our international business growth program "Road to the Top." With this program, we aim at becoming the market leader in Europe, a goal that we have already achieved in the retail segment. As a percentage of total revenue in fiscal 2004/2005, European sales (excluding Germany) rose to 52% (previous year: 48%).

An even higher percentage increase was achieved in the Americas, where net sales increased by 23% in U.S. dollar terms. Converted into euros, net sales revenue rose 18% to € 133 million (previous year: € 113 million). The Americas represented 8% of total revenues (previous year: 7%).

Changes in Regional Sales Profile.

€m



In Asia-Pacific and Africa, which are also dollar-based, revenues were up 11% in U.S. dollar terms. After conversion to euros, sales increased 7% to € 196 million (previous year: € 184 million). Their percentage of total net sales revenue was 11% in the fiscal year, compared to 12% the year before.

Performance by Business Stream.

Product Business. In fiscal 2004/2005, our production facilities in Singapore and Shanghai were expanded to include production of existing product lines. The move was aimed to further expand our global production capabilities.

The Company's global development and production facilities are organized on a decentralized basis but all units operate in close collaboration. Central quality and product management ensures compliance with our high levels of quality.

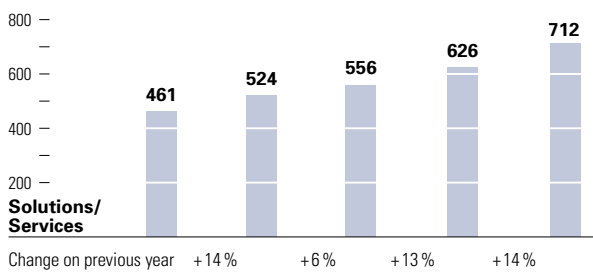
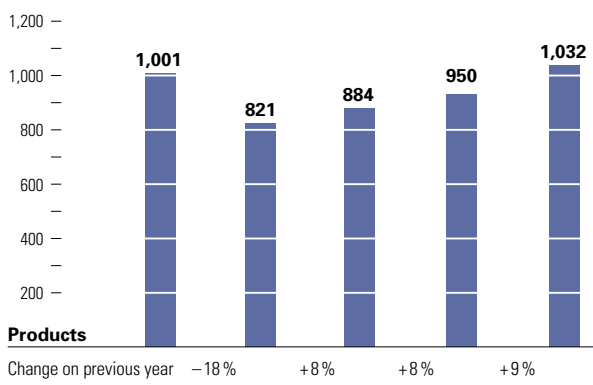
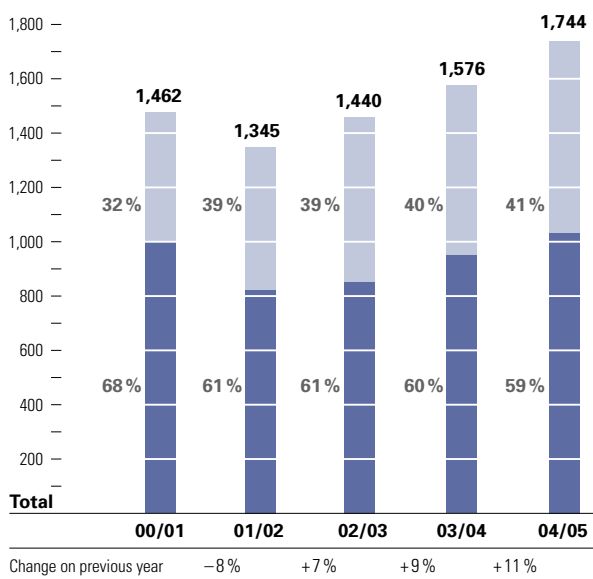
Product revenues rose 9% to € 1,032 million (previous year: € 950 million). The product business accounted for 59% of total net sales (previous year: 60%).

Solutions & Services. Revenues from solutions and services grew strongly, up 14% to € 712 million (previous year: € 626 million). Solutions and services now account for 41% of total net sales revenue (previous year: 40%). In the long term, we are looking to grow the solutions and services share of our business to approximately half of our net sales revenue.

We were able to successfully grow our solutions business internationally in the fiscal year. Our global network of local competence centers was extended to ensure that we can implement, update and integrate solutions worldwide within our customers' IT environments. Close collaboration on the ground also ensures that we are involved more closely in the ongoing development of our customers'

Net Sales Split: Products and Solutions/Services.

€m



business processes and are able to offer them new solutions. In both the banking and retail segments, openness and stronger internationalization of software solutions are top priorities.

We won key orders with our open multichannel software architecture, ProClassic/Enterprise, which offers banks flexibility and investment security. We were able to further consolidate our already strong position in middleware for retail banks. Demand was also strong for installation of software to operate multivendor ATM networks. We received several orders from large international banks for this software.

An important step toward becoming a complete solutions provider was made with our in-store solutions for retailers. These solutions are not limited merely to applications for operating checkout systems; they also support a wide variety of different types of checkout systems as well as other in-store processes and new automation solutions using one software. Deployed internationally, the solutions offer a uniform operating platform for store operations.

Our services business continued its strong growth track of recent years, complementing our products and solutions with a comprehensive portfolio of services built around all the IT systems used by our customers. These services range from traditional maintenance and management of multivendor IT infrastructures to complete operation of entire business processes.

In the future, standardized, cost-optimized service offerings will be available through our newly introduced uniform "eServices Platform". This platform is designed to

simplify procedures and interfaces to customers and partners. It meets the requirements of large multinational corporations for uniform IT infrastructures and transparent processes. The "eServices Platform" enables services to be handled efficiently and customer service to be managed and controlled using agreed indicators (key performance indicators).

Our range of Customer Care Center solutions was expanded significantly in the fiscal year. The portfolio now includes online monitoring for remote diagnosis, Customer Excellence Center services, escalation management and end-user helpdesk services for retail and banking customers. The use of the "eServices Platform" for all services performed by the Customer Care Center allows swift access to relevant customer-related system data, simplifies internal processes, and therefore makes customer care activities much more efficient. The platform also benefits our own performance capability within outsourcing projects.

We will continue efforts to grow our outsourcing projects business. Several large-scale outsourcing projects were won in the fiscal year. To achieve this, we strengthened our in-house interdisciplinary capabilities in the areas of project administration and operational estimation and planning, for example risk management across all stages of an outsourcing project. In order to run these projects successfully, we have built up international infrastructures such as specialist data centers, helpdesks and technician organizations, and have installed a network of partners to manage services not provided by us in-house. One of these services, for example, is the supply of cash stocks to ATMs.

Costs. In the fiscal year, we continued to work on improving our cost base. The Group-wide "Prolmprove" profit enhancement program provides the foundation for efficient management of costs. It aims to offset profit risks presented by price attrition, growth in lower-margin regions, expansion of the services business and factor-cost increases by focusing on cost of sales and, in particular, selling and general administration costs. This, together with other measures, produced an increase in our return on net sales revenue at EBITA level of 0.5 percentage points to 7.9% (previous year: 7.4%).

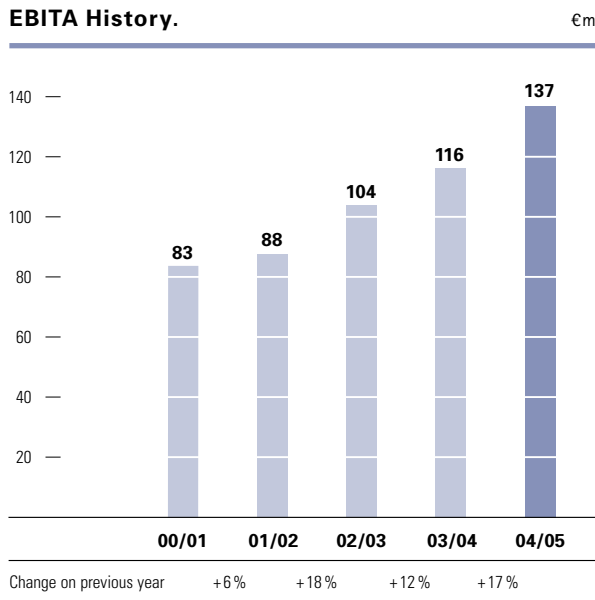
As a percentage of net sales revenue, selling and general administration costs were reduced by 1.5 percentage points to 15.5% (previous year: 17.0%). In absolute terms, these costs totaled € 271 million (previous year: € 268 million)¹⁾ and, at 1%, rose at a much slower rate than the 11% increase in net sales revenue.

Our effective cost management succeeded in offsetting a 1 percentage point reduction in gross margin, before amortization of product know-how, to 28%. This deterioration was mainly the result of international growth and a stronger increase in the solutions and services business.

Research and development costs rose by € 5 million, or 7%, to € 78 million (previous year: € 73 million). The R&D expenses as a percentage of sales were 4.5% (previous year: 4.6%).

Profit. Operating profit before amortization of product know-how (EBITA) improved by € 21 million to € 137 million (previous year: € 116 million), representing a rise of 17%.

EBITA History.



Return on sales at EBITA level was up 0.5 percentage points to 7.9% (previous year: 7.4%). This good performance was the combined result of the rise in net sales revenue and the leveraging of economies of scale in products and the "Prolmprove" profit enhancement program.

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.

Financial results were negative, showing a net result of € 20 million (previous year: € 19 million). Of that, € 11 million was interest paid on debt.

¹⁾Without amortization of goodwill.

The interest expenses of € 7 million (previous year: € 6 million) for pension commitments and retirement provision and also the accounting profit of € 1 million (previous year: € 1 million loss) arising from changes in interest rates and other parameters are reported in the financial result, among others. Last year, these profits/losses were reported under functional costs.

Profit before taxes increased to € 91 million (previous year: € 66 million). This € 25 million improvement is the result of the significant rise in net sales revenue and cost savings.

The Group's effective rate of tax in the year under review was 39% (previous year: 33%).

Net profit for the period rose by € 11 million to € 55 million (previous year: € 44 million). Net profit for the period before amortization of product know-how increased by € 10 million to € 71 million (previous year: € 61 million). The product know-how was created at the Company's carve-out from the Siemens Group in 1999. Expressed as a return on sales, net profit improved to 3.2% from 2.8% the previous year.

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 € 46,084,064.94, the sum of € 34,739,237.40 (equivalent to € 2.10 per share) be distributed to shareholders, payable immediately following the AGM on February 21, 2006. The residual profit (€ 11,344,827.54) is to be carried forward.

SEGMENT PERFORMANCE.

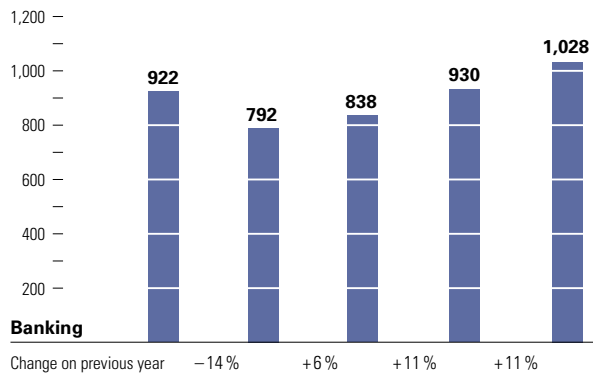
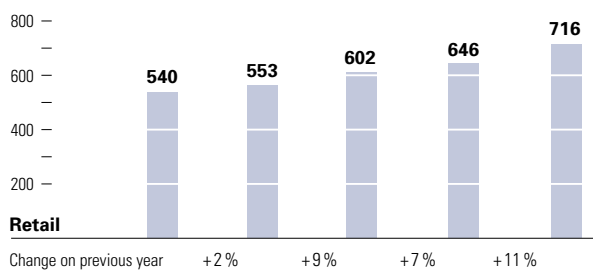
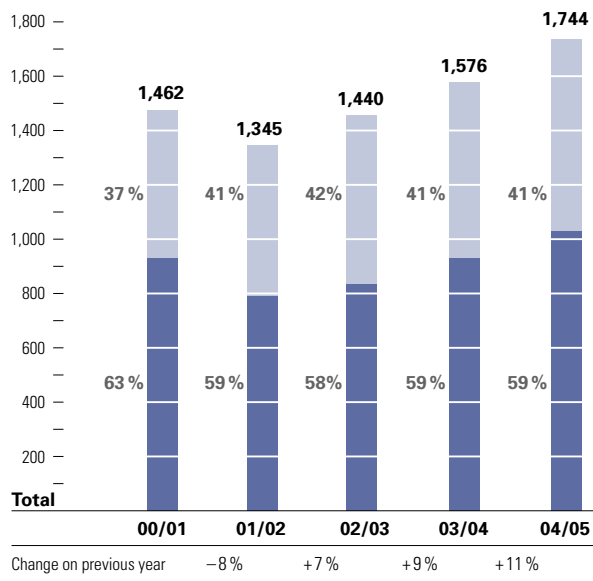
Both the banking and retail segments contributed to the increase in Group revenue and profit with double-digit growth rates. In the year under review, the banking segment accounted for 59%, and the retail segment 41%, of total net sales revenue.

Banking Segment. In the fiscal year just ended, the banking segment grew its revenue by 11% to € 1,028 million (previous year: € 930 million). This growth was achieved largely in other European countries. Operating profit (EBITA) climbed € 13 million to € 105 million (previous year: € 92 million), representing a rise of 14%. This increase in profit was the result of higher net sales revenue and strict management of costs. Return on sales improved to 10.2% (previous year: 9.8%).

Our competitive advantages are not just our high product quality but, in particular, our solution concepts that combine hardware and software as well as services that cover entire business processes within bank branches and thus, the total cost of ownership (TCO) of a system over its installed life. One of our key strengths is that we offer products, solutions and IT services worldwide for all areas of self-service and front-office automation in branch banking. In addition, our extensive range of consulting services helps with specific branch redesigns and reorganization activities.

These skills as well as our accumulated know-how and business process knowledge in the retail segment are transferable to a large extent to the reorganization and redesign of post office branches. As a result, we are well positioned to compete in this market segment.

Net Sales Split: Banking and Retail. €m



Viewed geographically, the investment restraint of banks in Germany saw our business in this market drop slightly over the previous year.

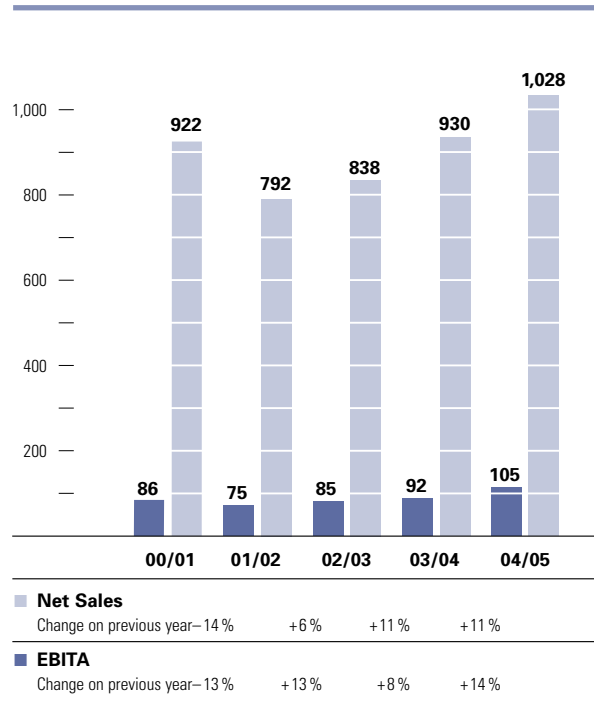
In most Western European countries, our business benefited from the continued modernization of retail banking. Particularly banks in the United Kingdom, Italy and France were investing in their retail banking activities. In these markets, we succeeded in winning key contracts for our high-end products as well as our solutions and services. Business in Eastern Europe performed at the same solid levels of the previous year. We noted a favorable change in the quality of orders, with a strong trend toward high-end products as well as solutions and services. In Turkey, where we booked significantly more orders, we achieved a disproportionately high level of growth. Business with postal service providers also performed well in Europe.

Business in the Americas varied by country. In the U.S., we were not able to achieve the same high level of sales as we did in the previous year, which benefited from a large order. Business in Canada and the Latin American countries of Chile, Columbia, Venezuela and Mexico performed very well.

We expanded our business in Asia, winning key orders in Taiwan. We took a huge step forward in growing our business in China by achieving "certified supplier" status at all of the country's large banks. In Thailand, we made a successful and promising market entry. In Korea and Vietnam, we posted our first sales.

Our banking business in the Middle East and Africa continues to be successful, with several large orders booked in Iran. In Africa, our business is focused mainly on three countries: We entered the South African market in the fiscal year and achieved good levels of growth in Algeria and Morocco.

Net Sales and EBITA History: Banking. €m



Key Performance Indicators: Banking. €m

	04/05	03/04	Change
Net sales	1,028	930	+ 11 %
EBITA	105	92	+ 14 %
EBITA Return on Sales (%)	10.2 %	9.8 %	+ 0.4
Capital Investment	26	23	+ 13 %

Products. Our product revenues increased significantly with key contributions from the **cash systems** business, which includes ATMs and automated teller safes.

In the low-cost monofunction systems segment, we achieved cost and price benefits through high scale. At the same time, the number of multifunction systems in the upper price segment increased significantly compared to the previous year.

The business worldwide was driven by new installations as well as by the replacement of previously installed systems. Orders came from banks and independent sales organizations (ISOs) that operate their own ATM networks. Demand was also bolstered by self-service systems that can be used for standard transactions such as bank transfers. With this technology, routine activities are being moved increasingly onto electronic systems, giving bank staff more time for customer advisory services.

The Company has reinforced its strong position in the market for intelligent deposit technologies, thanks in large part to its new intelligent Cash and Check Deposit Module (CCDM). In the automated teller safe market, a newly introduced recycling model has been very well received. In Germany, we succeeded for the first time in convincing a large public-sector customer to migrate its withdrawals service to self-service systems.

Our **non-cash products** business increased its volumes and won additional, strategically significant customers for voucher and document printers. We positioned our kiosk terminal, the ProInfo 1000, successfully in other sectors, including department stores, large supermarkets and hospitals.

Solutions and Services. Again in fiscal 2004/2005, we were able to grow our solutions and services business. Contributing to this growth were the multichannel solution ProClassic/Enterprise, the ProSales direct marketing solution and ProCash/IFX. ProCash IFX software, which uses the IFX (Interactive Financial eXchange) communications standard, enables ATMs from different vendors to be operated in an ATM network.

The ProClassic/Enterprise software platform enables banks to run different terminals and applications on a uniform, server-based software architecture. All relevant business processes and banking products run on one server and are accessible to all sales channels. Banks benefit from lower TCO and the ability to adopt new technologies more quickly. We have implemented this software at several banks and data centers.

The Business Process Monitoring Center offers banks a unique opportunity to map all the processes used by a self-service network. With this technology, they can produce detailed analyses and reports on self-service equipment and their business processes quickly and without outside assistance or any programming knowledge.

Also in high demand were security concepts for self-service systems and software, such as anti-skimming solutions that use special sensors to check the entire card insertion area for unauthorized devices affixed to them.

The services business in Europe is increasingly moving in the direction of complete, full-service offerings for branches. Demand is growing not only for hardware and software, but also for services such as cash management, end-user helpdesks and operating services.

Using in-house resources and the services of our partners, we significantly improved our quality of services in Germany, the U.K., France and Belgium. In addition, we replaced the company servicing the self-service equipment of large banks in Germany.

The outsourcing of branch banking activities is becoming an ever more important aspect of our business. In the fiscal year, we won several large contracts with durations of several years. In branch banking, we take over and ensure the ongoing operation of banks' self-service systems. Many banks no longer view the operation of ATMs, statement printers, PC clients, servers and IT networks as core business processes. These systems and, in some cases, employees and the management of cash logistics are outsourced to us. In the U.K. and the Netherlands, two internationally well-known banks transferred the entire operation of their self-service systems to us. In Germany, we took over the operation of major elements of IT operations for two large savings banks. Together, we created the dedicated joint venture company Wincor Nixdorf Portavis, whose shares are held by the two savings banks and by Wincor Nixdorf with the Company holding a majority stake in the venture.

Retail Segment. The retail segment also reported double-digit sales revenue growth, with net sales climbing 11 % to € 716 million (previous year: € 646 million). This significant rise is primarily the result of the expansion of our solutions and services business. In addition, we grew our business with retail-related industries such as lottery companies, the hospitality sector (including restaurant and hotel chains) and service stations.

The retail segment's operating profit (EBITA) increased 28 % to € 32 million (previous year: € 25 million). This favorable performance was also reflected in the improvement of the EBITA margin to 4.5 % (previous year: 3.8 %).

On the product side, the uniform system platform of the BEETLE systems proved to be a great competitive advantage for the Company. This platform forms the basic foundation for all our point-of-sale, self-checkout, kiosk and lottery systems and is also used in our automatic reverse vending machines (used for returning bottles and other containers). It helps achieve much lower TCO by enabling systems to be integrated more easily with uniform application platforms at customer premises, and by making them cheaper and easier to run and maintain. BEETLE systems can also be adapted easily to meet specific customer requirements.

A "unique selling proposition" is our own application software, which is based on international standards. The software can be deployed worldwide, thanks to an architecture that enables country-specific and customer-specific enhancements.

Growth was also driven by orders from other European countries, and despite a difficult market environment we were able to achieve a moderate increase in revenue in Germany as well.

The highest rates of growth were achieved in the United Kingdom. This growth came largely from replacement investment and new customers. Growth in Europe was also fueled by strong performance in Central and Eastern Europe where we benefited from further expansion of retail groups with international operations. We were also able to develop the service stations business significantly.

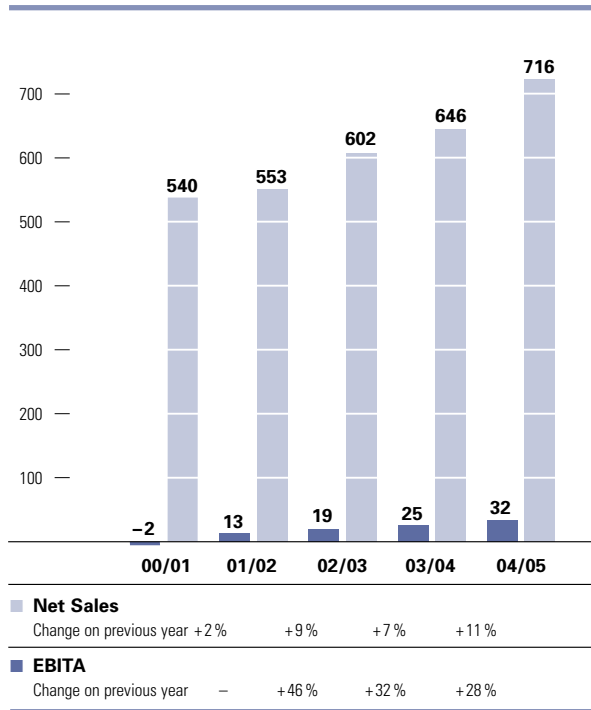
Outside Europe, our business in the Americas remained at the good levels seen last year. Although the product business grew in this region, performance of the services business was somewhat weaker. In Asia, we were unable to continue the excellent growth in our product business last year when we had benefited, among other things, from a large project carried out in the lottery business.

Product Business. In the fiscal year just ended, we made further progress in growing sales of point-of-sale terminals for retail outlets, further reinforcing our market leadership position in Europe.

In established markets such as Western Europe and North America, our ePOS systems dominated retailers' investments in replacement equipment. In Eastern Europe and Asia, these systems also benefited from the expansion of international retail chains and local suppliers. We achieved further growth in reverse vending and lottery systems.

Net Sales and EBITA History: Retail.

€m

**Key Performance Indicators: Retail.**

€m

	04/05	03/04	Change
Net Sales	716	646	+ 11 %
EBITA	32	25	+ 28 %
EBITA Return on Sales (%)	4.5 %	3.8 %	+ 0.7
Capital Investment	12	12	-

Continued success was also seen in neighboring sectors such as service stations and hospitality. At the same time, we developed new system solutions for in-store use such as self-checkout systems, cash management solutions, reverse vending systems and kiosk systems.

We developed additional product innovations in the areas of self-scanning solutions and with the BEETLE/iSCAN product family. We launched the Personal Shopping Assistant (PSA), a mobile solution that enables customers to scan their own purchases while shopping.

Solutions and Services. In the solutions business, demand grew from other European countries for system integration solutions. Another major success was the market launch of our store software, TP.net.

TP.net is a newly developed application platform for retailers. It can be used internationally as a standard software package and is easy to adjust to meet different local requirements. The software enables simple administration of software installed on ePOS systems and can be used with various different checkout concepts. We succeeded in implementing our Namos solution at several international service station chains.

In the services business, we focused on growing our own capability and improving profitability in product-related services.

For this reason, we expanded our service offerings for other manufacturers' equipment (multivendor services) and boosted our efficiency in this business. At the same time, we broadened our network of service partners in order to ensure an even greater coverage for our retail customers with global operations in the future. Maintenance service for lottery and reverse vending systems were established and expanded in several European countries.

In the U.K., we were able to grow significantly our services business with retailers through Datalect Group Ltd., which was acquired last year. We successfully integrated this business into the rest of the organization and improved availability and quality of service in the U.K. market. Datalect offers helpdesk, network administration, hardware maintenance and software support services. In Germany, we signed an outsourcing agreement with a retail company for maintaining and operating its SAP Retail system.

ACQUISITIONS AND DISINVESTMENTS.

In fiscal 2004/2005, we enhanced our technology capability with the acquisition of BEB Industrie-Elektronik AG in Burgdorf, Switzerland. We acquired 100% of the company's share capital effective January 1, 2005. BEB Industrie-Elektronik AG specializes in the development and production of banknote readers that use image recognition processes. This acquisition extends our technology reach in the high-growth area of self-service cash deposit applications and combined deposits and withdrawals where image recognition is a key component of ATMs. BEB Industrie-Elektronik has grown strongly in recent years. At the time of the acquisition, the company had around 90 employees.

On October 1, 2004, we acquired the remaining 49.99% of the shares in Wincor Nixdorf OY, Espoo, Finland, a sales and services company. We also acquired the share capital of a Finnish service company.

Wincor Nixdorf Retail and Banking Systems (Suzhou) Co. Ltd. Suzhou, China was dissolved. Its business activities were transferred to Wincor Nixdorf Retail and Banking Systems (Shanghai) Co., Ltd. in Shanghai.

In Morocco, third parties acquired a 3.5% equity stake in our Moroccan sales company.

We opened a sales representation in Thailand in the previous fiscal year. Further representations exist in Russia and India.

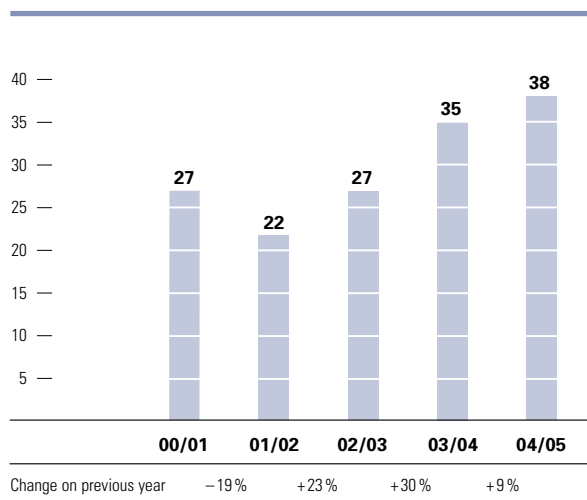
We refer to the complete presentation of changes in Consolidation Group in the Notes to the Group Accounts.

CAPITAL INVESTMENTS.

Our capital investments are primarily intended to grow capacities and improve our productivity and quality of services.

Capital Investment History.

€m



We invested € 38 million (previous year: € 35 million) in commercial patents, licenses and tangible assets. The investments included data-processing systems, specialist tools, production facilities, software and miscellaneous office and factory equipment. We spent € 7 million on acquiring fixed assets for use in an outsourcing deal.

ASSETS, PROFITABILITY AND FINANCING.

At the end of the reporting period, Wincor Nixdorf had assets of € 1,110 million, down € 34 million (3%) from the year before. The reduction in our asset base resulted from our decision to pay down financial debt and renew the Group's financing arrangements.

Intangible assets decreased by € 18 million to € 401 million (previous year: € 419 million). The change is mainly the result of a € 26 million amortization of product know-how (previous year: € 28 million) capitalized during the demerger from the Siemens Group. This was offset by fresh capitalization of € 7 million worth of non-patented technology at BEB Industrie-Elektronik AG.

Tangible fixed assets increased by € 6 million to € 106 million (previous year: € 100 million). Investment was mainly in specialist tools, data-processing systems, computer workstations and other types of office and factory equipment.

Assets.		€m
	Sept.30,2005	Sept. 30, 2004
Assets		
Intangible assets	401	419
Tangible assets and financial assets	106	100
Inventories	237	235
Receivables and other assets	315	299
Marketable securities and cash at bank	51	91
Total assets	1,110	1,144
Equity and Liabilities		
Equity (incl. minority interests)	234	199
Pension accruals	123	109
Other accruals	153	137
Financial debt	227	325
Other liabilities and deferred income	373	374
Total equity and liabilities	1,110	1,144

Current assets, deferred tax assets and prepaid expenses fell by € 22 million to € 603 million (previous year: € 625 million). Current assets now represent 54% of total assets. The value of inventories remained largely unchanged at last year's level of € 237 million (previous year: € 235 million). As a result of higher levels of net sales revenue, trade receivables ended the year € 12 million higher than the year before. The liquid funds, which were used to offset financing debt, dropped € 14 million to € 51 million (previous year: € 65 million) due to a more active cash management. Deferred tax assets and prepaid expenses were € 2 million higher at € 40 million (previous year: € 38 million).

Equity, including minority interests, rose € 35 million to € 234 million (previous year: € 199 million). The ratio of equity to total capital employed was 21 % (previous year: 17 %).

Consolidated profit/loss in fiscal 2004/2005 increased by € 50 million to € 91 million, including net profit of € 56 million. The consolidated profit/loss declined as a result of dividend payments of € 20 million for the previous fiscal.

Other changes to Group equity are set out in the "Changes in Group Equity" table.

The Group's accruals for pensions, taxes, operational business risks and personnel increased by € 30 million (previous year: € 34 million).

The group achieved a significant reduction in financial debt to € 227 million, down from € 325 million in the previous year, producing a sustained improvement in its financing structure. As of September 30, 2005, financing debt less liquid funds was € 176 million compared to € 234 million the year before.

On August 2, 2005, the existing syndicated loan financing was replaced by a new € 350 million revolving credit facility for the benefit of Wincor Nixdorf AG and Wincor Nixdorf International GmbH with a term of 7 years. The new syndicate consists of a group of 10 banks providing funds over 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 new financing arrangements have increased the Company's financial flexibility, firstly because the revolving nature of the facility means the amount of the loan is available throughout the entire term and, secondly, because with the exception of the end of the seven-year term there are no ongoing capital repayment obligations. The reduced interest rate margins also help ease our interest expenditure.

Profitability. Wincor Nixdorf's after-tax profit in fiscal 2004/2005 increased to € 56 million (previous year: € 44 million). This rise was the result of the successful growth of our business and also the cost savings achieved through our profitability program.

EBITDA increased by € 25 million to € 168 million (previous year: € 143 million), with the EBITDA return on net sales at 9.6 % (previous year: 9.1 %).

Reconciliation of net profit to profit from business operations (EBITDA)

	€m	
	2004/2005	2003/2004
Profit after taxes	56	44
+ Taxes on profit	35	22
+ Financial result	20	19
+ Amortization of goodwill	0	3
+ Amortization of product know-how (exceptional item)	26	28
EBITA before charges arising from the carve-out	137	116
+ Depreciation of tangible fixed assets and licenses	31	27
EBITDA before charges arising from the carve-out	168	143

Financial Position. Cash flow from ongoing operations rose to € 133 million compared to € 122 million last year. It was derived mainly from operating profit (EBITA) of € 137 million (previous year: € 116 million). Tax expenses were € 14 million higher than last year, essentially due to higher profit.

**Derivation of cash funds from EBITDA
(Group, before exceptionals)**

	€m	
	2004/2005	2003/2004
EBITDA	168	143
Cash flow from ongoing operations	133	122
Cash flow from investment activities	-55	-49
Cash flow from financing activities	-130	-20
= Change in cash	-52	+53
Cash funds and cash equivalents at the beginning of the period	51	-2
Cash and cash equivalents at the end of the period	-1	51

Working capital as a percentage of sales remained at or around last year's level of 12% of revenue (previous year: 12%). Working capital is made up of inventories, trade payables and trade receivables, prepayments received and deferred income. Working capital added as a result of the acquisition of business units was excluded from cash flow from ongoing operations and reported under cash flow from investment activities.

Cash flow from investment activities shows a € 55 million outflow of funds (previous year: € 49 million) of which € 19 million was spent on acquisitions. This consisted mainly of payment of the remaining consideration for Wincor Nixdorf Systèmes Bancaires S.A.S., Plaisir, France, and the purchase of the entire share capital of BEB Industrie-Elektronik AG, Burgdorf, Switzerland.

We invested € 32 million in tangible fixed assets and € 6 million in intangible assets.

Cash flow from financing activities showed an outflow of funds of € 130 million in fiscal 2004/2005. The main components influencing this were loan repayments of € 324 million and the taking out of new credit finance in the amount of € 209 million. We paid a dividend of € 20 million for the previous fiscal year. On the other side, there are financial leasing liabilities and miscellaneous changes amounting to € 5 million.

RESEARCH & DEVELOPMENT.

We invested approximately € 78 million in research and development (R&D) in fiscal 2004/2005 (previous year: € 73 million), representing a 7% increase on last year and putting R&D expenses as a percentage of net sales revenue at 4.5% (previous year: 4.6%).

With a view to reinforcing our technological strength in the future, we recruited additional R&D staff. At the end of the reporting period, the number of employees working in R&D was 714 (previous year: 660), equivalent to 10.3% of total headcount. The R&D employees work at our development facilities in Germany, Switzerland, Singapore, Indonesia, the U.S. and China.

They have been working on a large number of new developments. Worldwide, we registered 55 new patents, bringing the total number of active patents up to 866.

R&D Areas of Focus. In terms of technology, the banking and retail sectors are increasingly seeking the same base technologies. In the retail segment, self-service-based transaction processes are leading to this convergence. Examples of this include cash recycling and self-checkout systems that retailers are using to automate cash handling activities. Also, ePOS and kiosk systems are being adapted to meet the requirements of postal service companies.

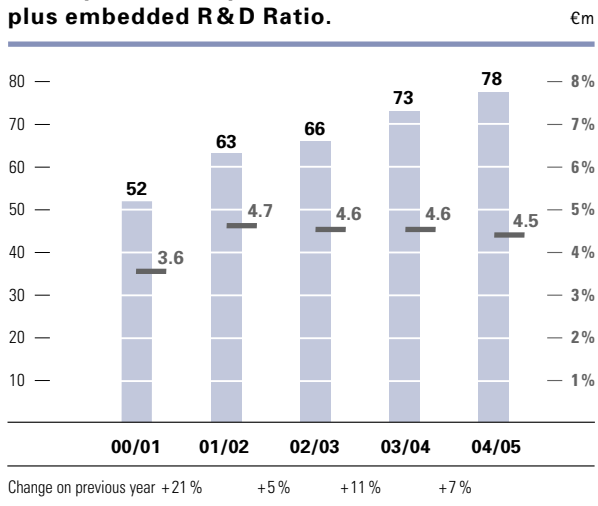
In the banking segment, we have concentrated on deposit and recycling technology for use in strategic markets. Both technologies have been adapted to meet the specific requirements of key countries. Our ATM portfolio has also been extended with a compact cassette-based recycling system.

As for software, the focus has been on the development of net-centric applications to manage large self-service networks (ProClassic/Enterprise). We are paying particular attention to establishing and growing an extensive IT security product family designed to keep self-service networks safe from external attack.

Our key product families in the banking segment, such as ATMs and terminal systems, have been the subject of continuous ongoing enhancement and complementation.

In retail, we expanded our portfolio with a new reverse vending system for the return of non-deposit PET bottles or aluminum cans, which are taken back and compacted separately by material.

History of R&D Expenses plus embedded R&D Ratio.



In the self-checkout segment, we have developed customer-specific variations for different projects and implemented these successfully in test applications at customer sites. We have developed a new standardized solution concept to support closed-loop cash handling for stand-alone checkout systems, such as those used in service stations. The product families currently offered in the retail business, such as the BEETLE ePOS systems and terminal solutions for lottery companies, have been undergoing continuous enhancement and complementation.

The emphasis in software development has been on adding new features to our TP.net point-of-sale software. The software enables simple administration of software installed on ePOS systems and can be used with various different checkout concepts. In addition, it automatically provides all available checkout functions in Web-based form for running mobile solutions.

PURCHASING AND LOGISTICS.

At Wincor Nixdorf, all purchasing activities are coordinated by Group Purchasing, which is also responsible for long-term goals, strategies and directives. The main principle behind our purchasing activities is a decentralized organization which is, however, managed from the center. This ensures that all purchasing activities within the Group are undertaken in close collaboration with local offices and production facilities.

Products, components and assemblies as well as services and software products are sourced from suppliers using a Group-wide, international purchasing system with a uniform contract database. This approach helps us achieve the best possible terms and, as a result, lower costs.

One area of focus of the strategic purchasing function during the fiscal year was the further internationalization of our supplier base, specifically in the Asian market. Key activities in this market include coordinating local purchasing operations, finding new low-cost suppliers, expanding existing relationships and adjusting these to meet various quality requirements within the Group. In the fiscal year, we also concentrated on reducing supplier lead times and achieving further cost savings.

Consistent improvement of our production logistics has enabled us to further reduce the throughput time between order entry and product installation. This resulted in faster, more flexible fulfillment of customer orders as well as improvements in the capability and deadline-compliance of our suppliers especially important in view of the Group's ever-increasing international business activities.

EMPLOYEES.

The total number of people employed within the Group increased by 823 to 6,937 as of the end of the reporting period (previous year: 6,114 employees). This rise was the result of our international business expansion. Our headcount abroad rose significantly. The number of new employees hired outside Germany was 676, bringing the number of people working outside the country to 3,542 (previous year: 2,866). This means, that Wincor Nixdorf employed more people internationally than at home. But in Germany, the headcount also increased, up 147 to 3,395 (previous year: 3,248).

Most new employees were recruited to work in our Services business. In this business field, we hired 518 new employees, 133 of them in Germany and, of the remainder, 62 in the U.K., 37 in France, 36 in the Czech Republic and 30 in Belgium. We recruited an additional 105 new service employees in Asia-Pacific and Africa.

We also expanded our international sales network, with 2,075 employees now working in sales (previous year: 1,988).

The newly acquired BEB Industrie Elektronik AG in Switzerland had 76 employees as of the end of the reporting period.

Headcount by region (As of September 30):

	04/05	03/04	02/03	01/02	00/01	99/00	98/99
Germany	3,395	3,248	3,032	2,936	2,926	2,563	2,358
Europe	2,076	1,707	1,009	794	710	506	472
Asia-Pacific & Africa	1,291	1,009	816	766	675	529	479
Americas	175	150	126	122	122	96	120
Total	6,937	6,114	4,983	4,618	4,433	3,694	3,429

Areas of Focus in Personnel Management. The integration of new recruits has been one of the areas of focus of our personnel team. Our international management development program has also been expanded.

Another area of focus has been the implementation of market conditions of employment within our German subsidiaries. This measure will help reduce personnel costs and protect jobs at Wincor Nixdorf International GmbH by introducing further flexibility of working hours. To this end, appropriate arrangements were agreed with employee representatives and the parties to the collective bargaining agreements.

Our Thanks. Fiscal 2004/2005 was a successful year for Wincor Nixdorf, and our employees played a major part in this success. The Board of Directors wishes to express its gratitude to all employees for their good work and their performance during the year.

RISK REPORT.

Risks and Opportunities Policy. At Wincor Nixdorf AG, the management of opportunities and risks is one of the key elements of activity in managing the Company. For us, it is a simple fact of life that opportunity and risk management is a permanent, integral part of our reporting procedures. It ensures that financial targets are met and, in general, enhances the worth of the Company. We regard the management of opportunities and risks as a value-adding activity.

As an international business, we are exposed to a range of risks inseparably linked to entrepreneurial activity. The job of opportunity and risk management is to contain these risks and make them simple to understand and monitor. The management control tools that we have implemented for this purpose enable us to register and monitor risks centrally in a regular manner. This ensures that the Board of Directors is always kept up to date on current and future risks. The aim, however, is not just to manage and avoid risks, but also to use our control and risk management activities as a means of creating room for maneuver. For example, we can manage and control new acquisitions and projects for large customers by using uniform global guidelines and directives that set out threshold-based authorization trees. Checklists are used to ensure structured analysis and highlight potential risks and opportunities alike.

Management of Opportunities and Risks. As part of our overall responsibilities, we expanded and refined our opportunity and risk management activities in the fiscal year just ended. Opportunity and risk management is an integral part of our financial control reporting systems. Specifically, this management function involves Group planning and budgeting, period-based actual/forecast reporting and variance analyses.

Dual-Level Controlling. Opportunity and risk management is integrated into the Group controlling process and is performed by the internal audit department. At Wincor Nixdorf, the controlling function works on two levels. One of these is a decentralized control function, which focuses on output and financial data of subsidiaries and business units. The other level is the Group holding company control function at the head office, which ensures strategic management control within the Company and across all business units.

Compliance, Financial Economy & Security. The Group internal audit function performs the monitoring and control function within the Group and reports as an independent body directly to the Board of Directors and the Supervisory Board. The internal control systems and business processes both of the subsidiaries and of the head office functions are audited regularly for compliance, operational efficiency and security. Internal audit checks monitor, specifically, compliance with directives, profit-and-loss account data and the contents, and also make process improvement suggestions.

Risk Management System Audited & Attested. In fiscal 2004/2005, we asked our auditors to check how well our opportunity and risk management system works. The auditors filed no objections.

Macroeconomic Risks. Wincor Nixdorf expects world economic growth in 2006 to continue, in particular in Asia and Eastern Europe. The economic environment in Germany may not improve significantly. Consequently, our growth potential will need to come from outside the country. We view potential risks to the world economy as 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, risks from unexpected events such as natural disasters and terrorist attacks are on the rise.

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

Outsourcing was successfully added to our range of offerings in the fiscal year. Given that business processes are generally more complex than products, problems can emerge in the value chains. When we assume responsibility for running customers' business processes, we risk the possibility of our budgeted gross margin for the business shrinking should these processes fail. We take out insurance against such failures in order to avoid liability risks. Nevertheless, it can happen that individual claims and entitlements are not covered by insurance policies. We work with our customers to optimize processes in such a way as to avoid any potential interruptions to operations and to avert a resulting loss of image.

Financial Risks. Wincor Nixdorf's business is exposed to credit risks, currency risks and interest rate risks. The Group treasury function and the limitation of financial risk are conducted centrally. Interest expenses are mainly linked to the short-term variable market interest rate (EURIBOR), plus a margin. This margin is subject to change as 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 interest rate on our financial debt fluctuates within a band between 1.75% and 5.0% (plus margin). In the fiscal year under review, we continued to reduce our financial liabilities.

The global nature of Wincor Nixdorf AG's business produces flows of deliveries and payments in different currencies. Incoming and outgoing payments in individual currencies are netted off against each other. Thus, by selecting suitable suppliers and making location-related decisions, we actively seek to generate natural hedging effects to the extent possible. The remaining currency exposures are then hedged mainly by means of currency futures. The netted-off amounts represent the exchange rate risk in each currency. The remaining currency risks are then hedged up to 100% (depending on currency and volume) on a rolling 12-month basis by means of suitable financial instruments.

Financial instruments are not used to hedge against currency translation risks arising from the conversion of accounts of Group subsidiaries, which do not prepare their accounts in euros.

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.

Market & Competition Risks. Banks and retailers are operating in markets characterized by fierce competition. This intense competition can result in price pressure for our products and services. With our productivity programs, we are constantly working to improve our cost position.

In the current fiscal year, we expect considerable price pressure to continue. Although we have built this into our budgets, aggressive competition may produce additional price reductions, with consequent negative effects on gross margin.

Purchasing, Productivity and Production Risks. Our manufacturing penetration requires active management of our portfolio of vendors within our supply markets. In order to avoid production risks caused, for example, by potential disruptions of deliveries of materials, we are further expanding our strategic purchasing function. This involves the selection of qualified vendors to minimize dependency on strategic suppliers. 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. A further rise in prices for raw materials such as oil and steel, however, may result in an increase in the purchase prices of components and assemblies we require. Other negative effects could include, for example, statutory requirements through higher levies on purchase prices.

On the other hand, we expect a boost to productivity through changes to employment conditions in Germany. These will impact both the cost of sales and selling and general administration expenses.

Technology and Quality Risks. We strive to strengthen our market position by offering products and services that are internationally competitive. This goal requires a meticulous

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 accounts, in the hope of tapping new markets and applications at an early stage. These endeavors often result in innovative business ideas, which, ideally, lead to standard applications.

In terms of innovation and quality, Wincor Nixdorf enjoys a leading position that differentiates the Company from the competition. Errors and mistakes in our quality processes, or products developed in a way that fails to reflect customer needs, can impact our sales prospects. With this in mind, we have set up a program specifically aimed at promoting and encouraging innovation and quality.

High quality of products and services are essential for a steady flow of customer orders. However, good quality is also about reducing the cost of carrying out guarantee repairs or meeting damage claims. Because of this, we operate a quality and environmental management system as well as a product approvals procedure right across the Group.

IT Risks. Appropriate availability (up-time) 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, especially in outsourcing.

In fiscal 2004/2005, we were able to achieve the planned level of availability of our IT systems despite a series of attacks by viruses and trojans in particular. In the current fiscal year, too, attacks on our IT systems may affect availability levels. We are working continuously to optimize our

systems in terms of information security, and to improve them by conducting specific protection requirement analyses. To prevent operational disruptions caused by external factors such as viruses penetrating the computer system, we always deploy the latest hardware and software components available on the market.

Legal Risks. We are not presently aware of any actual or threatened legal dispute that could affect our financial position in any meaningful manner. In the future, though, such risks cannot be ruled out entirely.

Personnel Risks. Employee output 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 them 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 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 AG. The sum total of risks, also, does not show Wincor Nixdorf AG to be in any danger.

POST-YEAR-END EVENTS.

Effective October 1, 2005, the Supervisory Board expanded the Board of Directors from two to five members and appointed Philip Mantle, Jürgen Wilde and Stefan Auerbach as new executive directors of Wincor Nixdorf AG. At the beginning of the new fiscal year, Philip Mantle assumed responsibility for the worldwide banking business. Jürgen Wilde became responsible for retail, and Stefan Auerbach was put in charge of our services business. At the same time, Eckard Heidloff was appointed Executive Vice President.

In Mexico, two new subsidiaries commenced sales and service activities on October 1, 2005.

Wincor Nixdorf Portavis GmbH, which is registered in Hamburg, began operation on October 1, 2005. As majority shareholder, we set up this joint venture together with two large savings banks, Hamburger Sparkasse ("Haspa") and Sparkasse Bremen. Each of the banks has outsourced large parts of its IT operations to the new company. Wincor Nixdorf Portavis GmbH is owned to 51 % by Wincor Nixdorf, 38 % by Haspa Finanzholding and 11 % by Sparkasse Bremen.

Wincor Nixdorf Retail Services GmbH was incorporated in October 2005. It provides maintenance and other services to retail companies.

OUTLOOK.

Wincor Nixdorf has successfully pursued its path of constant, sustained growth since its initial public offering (IPO) in 2004. Fiscal 2004/05 saw operating profit rise more strongly than revenue for the eighth time in a row, successfully increasing the value of the Company by a considerable margin. We have set ourselves equally ambitious goals for the next few years.

Essential for us is the need to make ongoing improvements to our performance capability for customers and to continue growing our market position. Given our highly qualified, motivated employees, our innovative strength and our well-proven strategy, we see ourselves well placed to accomplish this. The foreseeable development of the world economy and our chosen sectors position us well for the task.

World Economy. Economic research institutes view the world economy in good shape this fall. The Institut für Weltwirtschaft (IfW), which is based in Kiel, Germany, predicts world economic growth of approximately 4% in both 2005 and 2006. However, growth drivers vary geographically. For example, growth of the U.S. economy, which has been the main engine of growth in recent years, is expected to slow down.

At the same time, IfW projects economic growth to increase slightly in Western Europe and Japan. As a result, real gross domestic product growth will largely remain unchanged in industrialized countries.

In emerging markets, the IfW expects growth to weaken again slightly next year, primarily due to an expected cooling-off of the Chinese economy.

Developments in the Banking and Retail Sectors.

We expect further growth in our retail banking and retail businesses, based on market analyses. In particular, we anticipate greater growth from solutions and services business than from products.

In banking, in the established financial markets of Western Europe and North America, we expect continued high levels of investment in retail banking, which has established itself as a stable source of income. The investment will be driven, in large part, by ongoing reorganization and modernization of local branch banking. Banks want to improve efficiency and productivity, and are turning to automation and competitive IT service offerings for support. Replacement installations and new installations of ATMs, in particular by off-premises providers, will continue to generate sales growth on the product side.

Replacement of installed ePOS checkout systems has also been the main driver in the retail product business in Western Europe and North America. A surplus of retail space, especially in major urban areas, and associated price competition are the main developments influencing the investment behavior of large retail groups. At the same time, a trend toward opposing business models is on the rise. Discount and "hard discount" models are proving just as successful as customer-led business models that occupy the higher-price segments of the market. What both developments require are the very latest IT solutions and services designed to reduce costs through improved business processes or improved customer service. Automation and

self-service solutions play an increasingly important role in both. All in-store solutions are connected to what is often a completely re-designed in-store IT infrastructure, which, in turn, is linked into the financial and logistics information chains of the relevant retail group.

In the world's growth regions of Eastern Europe, Asia, Latin America and increasingly the Middle East, the solutions and services business in the retail and retail banking sectors will continue to grow strongly. We estimate that both sectors will continue to invest to expand and modernize their local operations.

Continued Growth in Net Sales and Profit. At the time of our IPO, we set ourselves the medium-term business development goal of growing net sales revenues by an average of 6% and operating profit by an average of 8% over the medium term. At the same time, we repeatedly said that, if possible, we wanted to do better than this and would take every opportunity to do so.

For fiscal 2005/2006, we are expecting revenue growth of approximately 8%, with the banking segment contributing more strongly to this growth than the retail segment.

In terms of products, solutions and product-based services, we benefit from our global production strategy, our world-encompassing network of software development competence centers and our resources for developing applications tailored to local requirements. We intend to continue growing through our highly competitive service offerings, as we have strengthened our services network with state-of-the-art infrastructure and authorized service partners, thus securing key competitive advantages in the process.

We expect to continue growing our market share. We will continue our successful "Road to the Top" program as a key instrument for this growth. The program supports best practice in the way markets are addressed and has already improved our market positions in all countries participating in this program. Thus, we are getting ever closer to our goal of securing the number one position in both our business segments in Europe. The "Road to the Top" program has accelerated the internationalization of our business across the entire Group. As a result, a lull in the German economy will no longer thwart the Group's growth. In the German retail sector, we anticipate revenue from reverse vending systems for returned beverage containers. We expect other EU countries to introduce compulsory return laws similar to those in Germany in the next few years.

Wincor Nixdorf should be able to increase sales still further in Asia and the Americas where, to date, we have grown at a comparatively high rate and at the same time continuously enhanced our standing in these markets. In the coming years, we expect to deliver growth at the same level.

Our solutions and services activities, which we are expanding continuously, are playing an ever more important role in our growth. The services business, for example, has been expanding in Asia and the Americas. We expect further growth as a result.

In our newly developed outsourcing business for branch banking, where we are experiencing rising demand, we expect to secure further contracts. Part of this involves existing business being converted into a new form of cooperation with customers, something that can result in actual lower revenue in a given period.

We project an approximate 10% improvement in **operating profit (EBITA)** on the year and plan to achieve this and also the net profit for the period through higher net sales revenue coupled with a lower rate of growth in the cost base. The retail business will increase its return on sales further. In order to gain ground on the cost side, we will introduce new measures under the successful "ProImprove" efficiency improvement program.

Our shareholders will continue to participate fully in profit growth as we stick to our declared intention of paying a dividend roughly equivalent to half our net profit for the year, adjusted for the amortization of product know-how.

Maintaining and Enhancing our Financial Strength. We seek to keep the amount of funds tied up in the Group, and with it the ratio of net sales revenue to working capital, at a low level.

The Company's operating cash flow, which we use to finance ongoing business operations, will continue to increase during the current fiscal year.

Targeted Capital Investment Projects. Prudent application of invested capital is a key rule of successful business management and one that has been firmly anchored in our Company, not only since we were owned by private equity investors. Therefore, targeted smaller corporate acquisitions, which complement and round out our areas of operation, are a part of our strategy. We will maintain this approach during the current fiscal year. Further acquisitions could be made to strengthen our international services, for instance.

Safeguarding our Future. We expect our headcount to exceed 7,000 people across the Group in the first quarters of fiscal 2005/2006. The new hires will be predominantly outside Germany and intended mainly to strengthen our service and international sales resources.

For the German locations of Wincor Nixdorf International GmbH, we agreed in July 2005 to an extensive package aimed at making working hours more flexible for non-exempt employees. This agreement will improve the competitiveness of the jobs and secure them over the medium term.

In the coming years, we will continue our high level of investment in research and development in order to advance our leading-edge innovation projects.

At the same time, we will continue to expand our global production network. Associated with this is the establishment of additional international development and implementation resources on the ground to respond more directly to the requirements of our customers. In this way, we will improve our proximity to growth regions and give ourselves ideal platforms for mastering the challenges posed by pricing trends.