

Diebold Nixdorf AG Quarterly Statement

3rd Quarter of Fiscal Year 2016/2017

For the period from October 1, 2016 to June 30, 2017

Key Figures 2016/2017

Statement of Income (€ millions)	3rd quarter 2016/2017 ¹	3rd quarter 2015/2016 ²	Change	9 months 2016/2017 ³	9 months 2015/2016 ⁴	Change
Net sales	602	629	-4%	1,826	1,938	-6%
of which Banking	339	385	-12%	1,049	1,164	-10%
of which Retail	263	244	8%	777	774	0%
Gross profit without restructuring expenses*	140	155	-10%	429	476	-10%
Gross profit as a percentage of net sales	23.3%	24.6%	-	23.5%	24.6%	-
Research & development expenses without restructuring expenses*	-22	-23	-4%	-67	-70	-4%
R&D expenses as a percentage of net sales	3.7%	3.7%	-	3.7%	3.6%	-
Selling, general and administration expenses⁵ without restructuring expenses*	-75	-85	-12%	-233	-251	-7%
SG&A expenses as a percentage of net sales	12.5%	13.5%	-	12.8%	13.0%	-
Operating profit (EBITA)⁶ without restructuring expenses*	43	47	-9%	129	155	-17%
EBITA as a percentage of net sales (EBITA margin)	7.1%	7.5%	-	7.1%	8.0%	-
of which Banking	24	32	-25%	80	108	-26%
as a percentage of net sales Banking	7.1%	8.3%	-	7.6%	9.3%	-
of which Retail	19	15	27%	49	47	4%
as a percentage of net sales Retail	7.2%	6.1%	-	6.3%	6.1%	-
Restructuring expenses*	-11	-4	-	-21	-9	-
Operating profit (EBITA)⁶ incl. restructuring expenses*	32	43	-	108	146	-26%
EBITA as a percentage of net sales (EBITA margin)	5.3%	6.8%	-	5.9%	7.5%	-
Amortization/depreciation of intangible and tangible assets and write-down of reworkable service parts	12	16	-25%	40	45	-11%
EBITDA	44	59	-	148	191	-23%
EBITDA as a percentage of net sales (EBITDA margin)	7.3%	9.4%	-	8.1%	9.9%	-
Transaction expenses**	16	-5	-	-6	-16	-
Operating profit (EBITA)⁶ incl. restructuring expenses* and transaction expenses	48	38	-	102	130	-22%
EBITA as a percentage of net sales (EBITA margin)	8.0%	6.0%	-	5.6%	6.7%	-
Profit for the period	24	26	-8%	61	89	-31%
Profit for the period as a percentage of net sales	4.0%	4.1%	-	3.3%	4.6%	-

Cash flow (€ millions)				
Cash flow from operating activities		108	115	-6%

June 30, 2017 Sept. 30, 2016 Change

Key Balance Sheet Figures (€ millions)				
Working capital		251	304	-53
as a percentage of net sales (annualized)		10.3%	11.8%	-
Net debt ⁷		-178	-7	-171
Equity ⁸		477	441	36

Human Resources				
Number of employees		8 719	9 080	-361

1) April 01, 2017 - June 30, 2017.

2) April 01, 2016 - June 30, 2016.

3) October 01, 2016 - June 30, 2017.

4) October 01, 2015 - June 30, 2016.

5) Including other operating result as well as result from equity accounted investments.

6) Net profit on operating activities before interest, taxes and amortization of goodwill.

7) Including financing Diebold Nixdorf, Inc. June 30, 2017: €38 million (Sept. 30, 2016: €51 million)

8) Including non-controlling interests.

* Restructuring expenses FY 16/17 relating to the business combination with Diebold Nixdorf, Inc. / DN2020;

Restructuring expenses FY 15/16 one-time effects attributable to the Delta program

** Transaction expenses relating to the business combination with Diebold Nixdorf, Inc. incl. expenses and income due to integration measures

Significant events

Following the entry of the control (also referred to as "domination") and profit transfer agreement (CPTA) between the wholly-owned subsidiary of Diebold Nixdorf, Incorporated (referred to hereinafter as "Diebold Nixdorf Inc."), namely Diebold Holding Germany Inc. & Co. KGaA (referred to hereinafter as "Diebold KGaA"), and Diebold Nixdorf AG in the Commercial Register in February 2017, Diebold Nixdorf Inc. initiated an extensive restructuring program within the Group as from April 2017. As part of this program, subsidiaries of Diebold Nixdorf AG and Diebold Nixdorf Inc. were and are currently being merged in selected countries. This has resulted in changes to the Group structure of Diebold Nixdorf AG as well as to the number of entities to be included in consolidation.

Furthermore, as of July 1, the business operations of Wincor Nixdorf United Kingdom and Ireland, which had previously been independent, were integrated fully into the Diebold Nixdorf Group. This came on the back of Diebold Nixdorf's approval at the end of June to the sale of Diebold's former business in the United Kingdom to the Cennox Group in fulfillment of the requirements specified by the British Competition and Markets Authority (CMA). In meeting the regulatory provisions set out by the CMA, Diebold Nixdorf, Inc. has now concluded all proceedings with antitrust authorities in respect of the business combination.

Net sales, operating profit, and cash flows

Net sales generated by Diebold Nixdorf AG in the first nine months of the 2016/2017 fiscal year were down 6% on the prior-year period and amounted to €1,826 million (2015/2016: €1,938 million). In the third quarter net sales totaled €602 million (2015/2016: €629 million).

Earnings before interest, taxes, and amortization (EBITA), excluding restructuring expenses, declined by 17% to €129 million in the reporting period (2015/2016: €155 million), which corresponds to an EBITA margin of 7.1% (2015/2016: 8.0%). In the third quarter EBITA without restructuring expenses was €43 million (2015/2016: €47 million), down by 9% on the prior-year figure. The reduction in the EBITA margin is attributable to lower net sales in conjunction with less pronounced economies of scale.

The Banking segment saw net sales fall by 10% to €1,049 million in the first nine months of the fiscal year (2015/2016: €1,164 million); third quarter accounted for €339 million of this total (2015/2016: €385 million). Within the Retail segment, net sales increased slightly year on year to €777 million (2015/2016: €774 million). In the third quarter net sales for this segment were up 8% at €263 million (2015/2016: €244 million).

Compared to the previous year, business performance in the respective regions developed along different lines in the first nine months of the fiscal year. In Germany, net sales for the nine month period rose by 2% to €435 million (2015/2016: €425 million). In the third quarter, net sales in Germany contracted by 3% to €139 million (2015/2016: €143 million).

In Europe (excluding Germany), net sales increased by 3% to €934 million (2015/2016: €906 million). In the third quarter, net sales in the region were up 5% at €308 million (2015/2016: €293 million).

The Asia/Pacific/Africa region reported net sales decline of 17% to €295 million (2015/2016: €355 million). In the third quarter, net sales in the region encompassing Asia/Pacific/Africa declined by 9% to €105 million (2015/2016: €116 million).

As a region, the Americas saw net sales fall by 36%, taking the figure to €162 million (2015/2016: €252 million). In the third quarter, net sales for the Americas were down by 35% at €50 million (2015/2016: €77 million).

In terms of business streams, net sales developed as follows in the first nine months: Hardware revenue fell by 7% to €791 million (2015/2016: €851 million). In the third quarter, net sales relating to Hardware declined by 5% to €258 million (2015/2016: €273 million). Net sales attributable to Software/Services declined at a less pronounced rate of 5% in the first nine months, taking the figure to €1,035 million (2015/2016: €1,087 million). The third quarter saw net sales for Software/Services fell by 3% to €344 million (2015/2016: €356 million).

In the first nine months of fiscal 2016/2017 net cash from operating activities totaled €108 million (2015/2016: €115 million). Operating cash flow was affected in particular by the decline in EBITDA (after transaction expenses associated with the business combination with Diebold Nixdorf Inc.) to €142 million (2015/2016: €174 million) and, contrary to this, a higher inflow of cash of €60 million (2015/2016: €23 million) due to the change in working capital.

Cash flow from investing activities amounted to €43 million, roughly equivalent to previous year's level (2015/2016: €42 million). Net cash from financing activities amounted to €39 million (2015/2016: €4 million). Refinancing was implemented by means of a revolving credit line from Diebold Self-Service Solutions S.A.R.L., which resulted in a net inflow of cash of €158 million in the period under review (2015/2016: €0 million). Dividend payments totaling €51 million (2015/2016: €0 million) had a contrary effect, as did the repayment of €65 million (2015/2016: €15 million) in respect of a loan granted by the European Investment Bank.

Opportunities and Risks

In the period under review, there were no significant changes to the principal opportunities and risks described in the 2015/2016 Group management report that might have an impact on the expected development of the Group in the remaining months of the current fiscal year, with the exception of CPTA that came into effect during this period.

With the CPTA coming into effect, Diebold Nixdorf, Inc., can pursue the further integration of Diebold Nixdorf AG in accordance with statutory provisions set out in German legislation. This may have a significant impact on the opportunities and risks presented in the 2015/2016 Group management report. With the exception of the changes to the scope of consolidation outlined in "Significant events," however, it is impossible to specify these effects in detail.

Outlook

Following the entry of the CPTA in the Commercial Register in the second quarter of fiscal 2016/2017, Diebold KGaA is entitled to instruct Diebold Nixdorf AG on specific business arrangements. This poses the possibility that the controlling company may instigate measures and make decisions on behalf of Diebold Nixdorf AG that are contrary to those anticipated as part of original business planning. In the third quarter of fiscal 2016/2017, for instance, specific instructions pertaining to the integration of companies resulted in changes to the Group structure.

Based on its business performance to date and against the backdrop of the integration measures already implemented following directives in connection with the control and profit transfer agreement in the first nine months of the 2016/2017 financial year, Diebold Nixdorf AG now anticipates that net sales for the 2016/2017 annual period as a whole will be substantially lower than in the previous year. Correspondingly, operating profit (EBITA) before restructuring expenses is also expected to be lower than in the previous financial year, given the significant downturn in net sales projected by the company and the ongoing integration measures. In this context, however, measures and decisions executed by Diebold KGaA under the terms of the CPTA may still have a more pronounced effect than in the case of projected net sales. With this in mind, the company's future business performance in the remainder of fiscal 2016/2017 continues to be associated with considerable uncertainty.

Additionally, Diebold Nixdorf AG anticipates that its transaction and restructuring costs attributable to the business combination with Diebold Nixdorf, Inc., will be significantly higher than originally planned for fiscal 2016/2017. This is due to the fact that the CPTA has now come into effect, together with the more far-reaching integration measures that this will entail. The original budget for fiscal 2016/2017 had only included transaction costs of €20 million relating to the business combination with Diebold Nixdorf, Inc.

Disclaimer

This document contains forward-looking statements that are based on current estimates and assumptions made by the management of Diebold Nixdorf AG. Under no circumstances shall these statements be considered as constituting a guarantee that such expectations are correct or will materialize. The future performance as well as the results actually achieved by Diebold Nixdorf AG and its affiliated companies are subject to various risks and uncertainties. Therefore, they may differ materially from those expressed or implied by forward-looking statements. A number of these factors are beyond Diebold Nixdorf AG's sphere of influence and cannot be forecast or predicted with any level of certainty, e.g., those factors relating to future economic conditions or the actions of competitors and other market participants. Diebold Nixdorf AG disclaims any obligation to update any forward-looking statements to reflect subsequent events or circumstances.