

Diebold Nixdorf AG

Annual Report Fiscal Year 2018
January 1, 2018 to December 31, 2018

GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018

1 Fundamental information about the Group.

1.1 Structure and business operations.

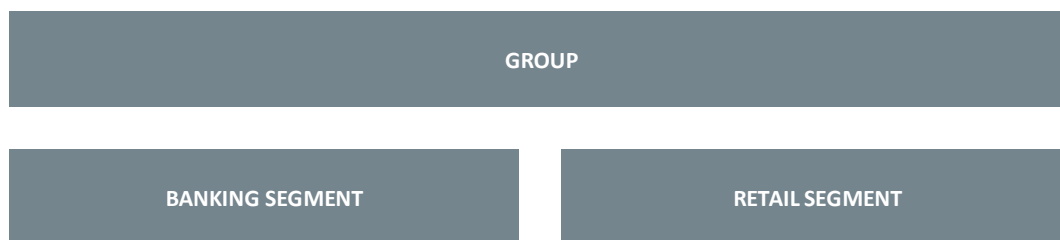
Overview.

Global IT specialist with a consumer-facing business. Diebold Nixdorf AG (hereinafter referred to as the "Company", "Group" or "Diebold Nixdorf") is one of the world's leading providers of information technology ("IT") solutions and services to retail banks and the retail industry. We also serve customers with similar structures, such as postal companies and service station operators. Our comprehensive portfolio is designed to support our customers' business operations – especially at branch and store level – in both sectors. Our core business involves optimizing and redesigning processes with the help of IT.

The Group's global workforce numbers around 8,800. Approximately 60% of them are employed outside Germany. Around 60% of the Group's net sales are generated by its retail banking products and services and roughly 40% from its retail industry business. Software and Services account for over half of the Group's business, while the rest is attributable to Hardware sales.

The business-related details presented and described in this management report are based on the following structure:

Group Reporting Structure.



Additional information is provided in respect of:

BUSINESS STREAMS

- > Software/Services
- > Hardware

REGIONS

- > Germany
- > Europe (without Germany)
- > Asia/Pacific/Africa
- > Americas

Legal structure of the Company.

Diebold Nixdorf AG is a stock corporation (Aktiengesellschaft) under German law. The Company's registered office is at Heinz-Nixdorf-Ring 1, in 33106 Paderborn. The section entitled "Fundamental information about the Group" in the Group management report of Diebold Nixdorf AG for fiscal 2015/2016 includes detailed information on the takeover of Diebold Nixdorf AG by Diebold Nixdorf, Incorporated, USA (formerly "Diebold, Incorporated"; hereinafter referred to as "Diebold Nixdorf, Inc."). With the approval of the Annual General Meeting, a domination (*Beherrschung*, officially referred to under IAS/IFRS as "control") and profit and loss transfer

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agreement (“DPLTA”) was concluded in September 2016 between the wholly-owned subsidiary of Diebold Nixdorf, Inc., namely Diebold Nixdorf Holding Germany Inc. & Co. KGaA (formerly “Diebold Holding Germany Inc. & Co. KGaA”, hereinafter referred to as “Diebold Nixdorf KGaA”), and Diebold Nixdorf AG. At the same time, an agreement was reached to change the company name from Wincor Nixdorf Aktiengesellschaft to Diebold Nixdorf Aktiengesellschaft. Both the DPLTA and the change of the company name became effective upon entry in the Commercial Register at the District Court of Paderborn in February 2017 respectively November 2016.

Based on a resolution passed by the General Meeting of Shareholders on January 23, 2017, the Group has changed its fiscal year. Since 2018, the annual reporting period is corresponding to the calendar year. Therefore, a short fiscal year covering three months had been introduced for the period from October 1 to December 31 (referred to hereinafter as “short fiscal year” or “short 2017 fiscal year”).

In total, 83 entities were included in the consolidated financial statements 2018 of Diebold Nixdorf AG as part of full consolidation, while five entities were included by applying the equity method. Further details of the scope of consolidation are presented in the notes to the consolidated financial statements [30].

We have an international network of hardware production facilities that includes a number of external partners. The Group has production sites in Germany and, as part of a joint venture, in China.

Our research and development activities are also spread around the world – in Germany, Switzerland, Poland, Singapore, and the Czech Republic. Additionally, we collaborate with a growing network of external partners and research institutes.

Business model.

Development of business processes with intelligent IT solutions. Diebold Nixdorf AG effectively supports the efforts of banks and retailers to gear their operations to the requirements of the digital age. Accordingly, one of our core tasks is to link digital and stationary sales channels together in a way that promotes new business.

There are two factors that our clients now have to take into account if they wish to remain competitive. Firstly, they have to adapt to the changing behavior patterns and changing expectations of consumers who are increasingly turning to electronic and mobile communication channels. The challenge here is to enhance the customer experience across the whole range of sales channels. Secondly, the general business environment – characterized by growing competition, low interest rates, and tighter regulation – means they have to continue streamlining their cost structures. One way in which they can achieve this is through further process automation and optimization.

At the same time, both retail banks and retailers have to meet the challenges thrown up by their ongoing international expansion. This process demands technological solutions that can be easily adapted and extended to new markets.

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Our Company supplies the IT – Software, Hardware and Services – that our customers need in order to overcome these challenges and seize new market opportunities as they arise. In line with the rapid advance of digitalization, we are keen to push software and software-related services to the forefront as the main engine of growth within the Group. At the same time, however, we plan to harness future business opportunities with our innovative hardware and to adapt our resources in this area so that we can operate more cost-effectively and even more competitively. Our success therefore depends on our ability to develop leading technologies and solutions, in addition to providing innovative “as-a-service” operating models. The aim here is to simplify the interfaces between our clients' processes and their customers and help our clients to work more efficiently and productively. In order to support this ongoing transformation of our clients' operations and establish ourselves as a long-term innovation partner, we make it our business to develop a thorough understanding of their processes. In this context, one of our key strengths is the fact that our customers can find all the products, services, and know-how they require from a single provider. From their perspective, that reduces the complexity of the transformation process. Furthermore, we can apply our strengths in a fully integrated form. At the same time, we are systematically extending our range of expertise and developing new and highly competitive services from directly within the market. Another factor in our favor is that we are in a strong position to retain the loyalty of our customers in the long term by providing support across the full spectrum. Within the framework of our business model, we act at all times in accordance with the principles of sustainability. Our principles are outlined in a dedicated section of this report under the heading "Sustainability."

Product and service portfolio.

Full-spectrum portfolio encompassing Software, Services and Hardware. Our Company supplies IT solutions that can be implemented by retail banks and retail industry customers to create efficient and highly automated processes across all their sales channels. Our portfolio encompasses Software, Services and Hardware. We cover the full spectrum of products and services – from process consulting and design through to delivery and integration of the right solution and ongoing operational support.

Two of the areas in which we specialize are:

- omni-channel software to link digital and stationary sales channels;
- the integration of mobile technologies, such as tablets, that can be deployed by our banking customers at branch level, for instance, to offer more detailed advice, and checkout applications on mobile devices for our retail customers.

Our highly available IT solutions facilitate customer-friendly and secure processing of standard transactions in the retail banking sector while creating a service-led purchasing environment for retailers.

In addition, alongside one of its core competencies – cash processing –, Diebold Nixdorf continues to develop its portfolio of cashless transaction solutions.

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1.2 Goals and strategy of the Diebold Nixdorf, Inc. Group.

Predefined corporate goals and strategy.

Due to DPLTA concluded with Diebold Nixdorf KGaA, Diebold Nixdorf AG is ultimately subject to the control of Diebold Nixdorf, Inc. as the primary controlling entity. With this in mind, the objectives and strategy drawn up by the parent company for the Diebold Nixdorf, Inc., Group as a whole are applicable accordingly. Therefore, the goals and strategy defined for Diebold Nixdorf AG are based on details specified by Diebold Nixdorf, Inc.

Additionally, an extensive transformation program by the name of DN NOW has been initiated in the reporting period in support of the targets specified for the Diebold Nixdorf, Inc., Group. This program took over parts of the previous program called "DN2020" and includes further measures. The pillars of DN NOW include: Customer Focus, Product Evolution, Optimization of the Balance Sheet and Operational Excellence.



1.3 Corporate management and performance indicators.

Strategic planning as the basis for operational management. The management and control processes of the Diebold Nixdorf AG Group are based on annual plans, which to a large extent take account of the overall strategic planning of the Diebold Nixdorf, Inc. Group. These include an assessment of our sales units and regions and their corresponding markets and customers with a view to identifying changes and developments and building them into our corporate targets at an early stage. Additionally, strategic planning also covers the Group's main functions (for example: Production and Procurement, Research and Development, Services) to ensure that they are aligned with changes in customer and market requirements. It provides the basis for medium-term objectives for the Banking and Retail segments. Additionally, the objectives for the Group's various units and functions are derived from this strategic plan.

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Strategic considerations feed into a multi-year plan that also includes our budget target for the following year. This target is applied to operational planning for the various organizational units, at which point it is linked to more detailed objectives and measures at an operational level.

Opportunity and risk management also play a key role in operational planning and decision-making at an operating level. All the Group's operating units are integrated into this process. Every month, based on the latest results and developments, we draw up a rolling plan (forecast) with updated financial control indicators for the current fiscal year. By monitoring this rolling plan, we are able to identify any deviations from agreed targets at an early stage and, if required, initiate measures to ensure those targets are still met.

An integrated IT system is used within the Diebold Nixdorf, Inc. Group for planning, control, and reporting processes. It is monitored regularly and adapted as required to meet new demands. This ensures that the system remains up to date and effective.

Financing strategy provides room for maneuver. One of the prime objectives of the financing strategy adopted by Diebold Nixdorf AG is to maintain adequate levels of liquidity in order to ensure that the Company has sufficient financial scope to maneuver in respect of its ongoing business activities. At the same time, the aim is to make sure that the financial requirements associated with sustained growth by the Company are taken into account.

For the purpose of providing sufficient financial scope in pursuit of this goal, an agreement was entered into with Diebold Self-Service Solutions S.A.R.L. at the beginning of August 2016 covering a revolving credit line of €300 million over a term of five years.

On August 30, 2018 Diebold Nixdorf, Inc. obtained a new term loan and announced amendments to its senior secured credit agreement, including revised financial covenants, to enhance the company's financial flexibility. This additional financing provides added capital to purchase all of the remaining shares of Diebold Nixdorf AG, repay debt and support key company initiatives -- including its 'DN Now' operational improvement plan.

Managing success with the help of selected financial indicators. Our main focus is on indicators of financial performance. They are compiled at Group level as central financial indicators. At the next reporting level below that, we measure our performance in respect of the Banking and Retail segments, the different regions, our sales entities, and investees, as well as our Hardware and Software/Services business streams.

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Focus on main control parameters. The main financial performance indicators used to control the Diebold Nixdorf AG Group and as the basis for senior management decisions are **net sales** as well as **operating profit (EBITA)** before one time effects and operating profit (EBITA) including one time effects.

Operating profit (EBITA) is a key measurement and control indicator for the entire Diebold Nixdorf AG Group and for the underlying profitability of its Banking and Retail segments. EBITA stands for Earnings before Interest, Taxes, and Amortization (of Goodwill).

The **EBITA margin** is another financial indicator used to measure the performance of the Group's operating and strategic segments (Banking and Retail) and of its sales regions and sales units, the aim being to steer them towards profitable and sustainable growth. It is calculated as EBITA in relation to net sales.

Wider performance measured by additional indicators. In the course of our day-to-day operational business, we link various activities as closely as possible to the most important control parameters. Diebold Nixdorf AG also makes use of other financial and non-financial indicators to measure the economic success of its business activities.

At Group level, other financial indicators include **net cash from operating activities, working capital, gross profit margin, research and development ("R&D") costs, and selling, general, and administration expenses. Profit for the period** as well as related factors such as the **financial result** (i.e. net finance income/cost) and **taxes on income** (Group tax rate) are also carefully examined.

It should be noted that performance indicators such as EBITA, EBITA before one time effects, EBITA after one time effects, EBITA margin, EBITDA including one time effects, EBITDA before one time effects, working capital, and other key financials are not specifically defined by International Financial Reporting Standards ("IFRS"). Therefore, they constitute non-IFRS indicators. These are widely acknowledged definitions and key performance indicators ("KPIs") used by numerous companies in the context of financial management. The one time effects mainly comprise personnel expenses, inventory write-downs (only in the year under review), personnel-related expenses, consultancy costs and other expenses and income related to the merger of companies in individual countries within the framework of DN2020.

The above financial indicators are supplemented by **non-financial indicators** within the Group's individual functional areas. These include the Group headcount in human resources, while in R&D the number of patent applications and the number of active patents reflect the innovative strength of our R&D network. We also record data on quality, **supplier reliability**, and stock turn. These indicators help us to improve quality and achieve productivity gains, as well as generating economies of scale and reducing our costs.

As part of our sustainability management system, we look at **other non-financial indicators** in the fields of water and energy, business travel, transport, waste management and human resources in order to monitor the Group's progress. Full details of these non-financial indicators can be found in our Sustainability Report.

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1.4 Non-financial statement.

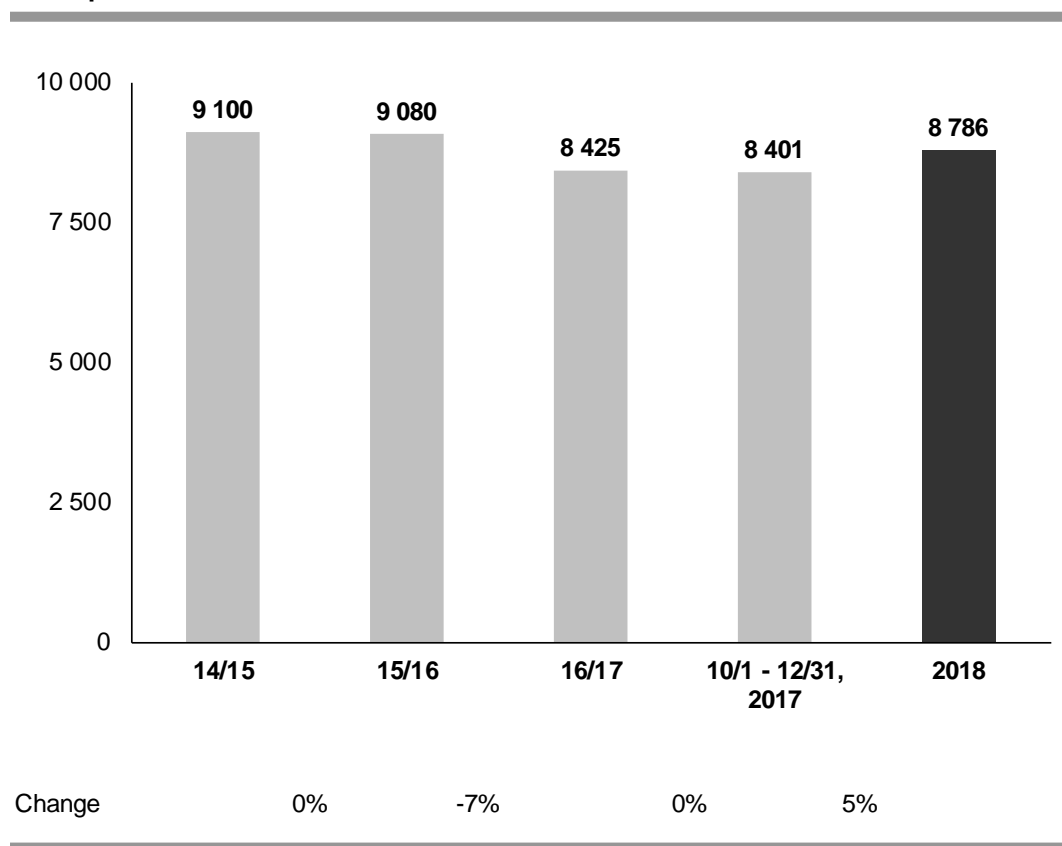
The non-financial statement will be published on our website www.dieboldnixdorfag.com (Investor Relations section) by the statutory deadline.

1.5 Employees.

Employee structure.

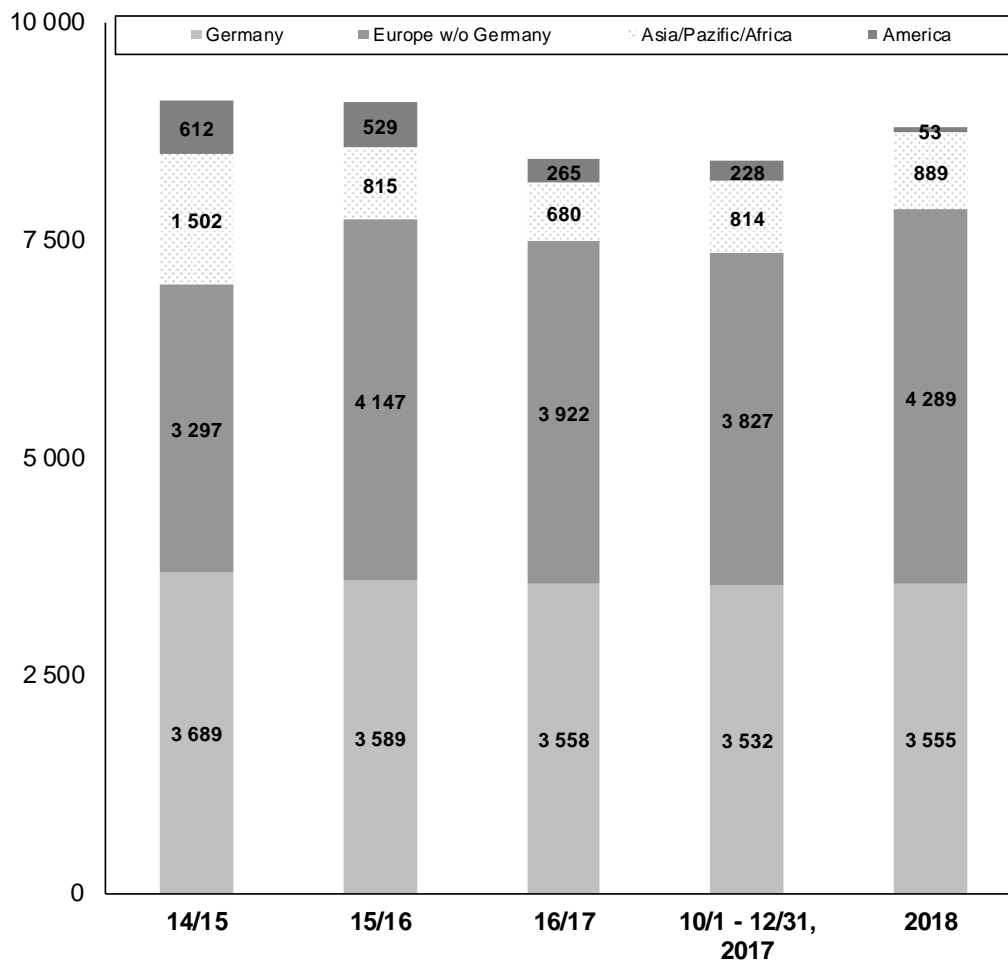
As of December 31, 2018, the Group's total headcount stood at 8,786 (Dec. 31, 2017: 8,401). In Germany, the number of employees at the end of the period under review totaled 3,555 (short 2017: 3,532). The number of staff employed outside Germany was 5,231 (short 2017: 4,869).

Group Headcount.



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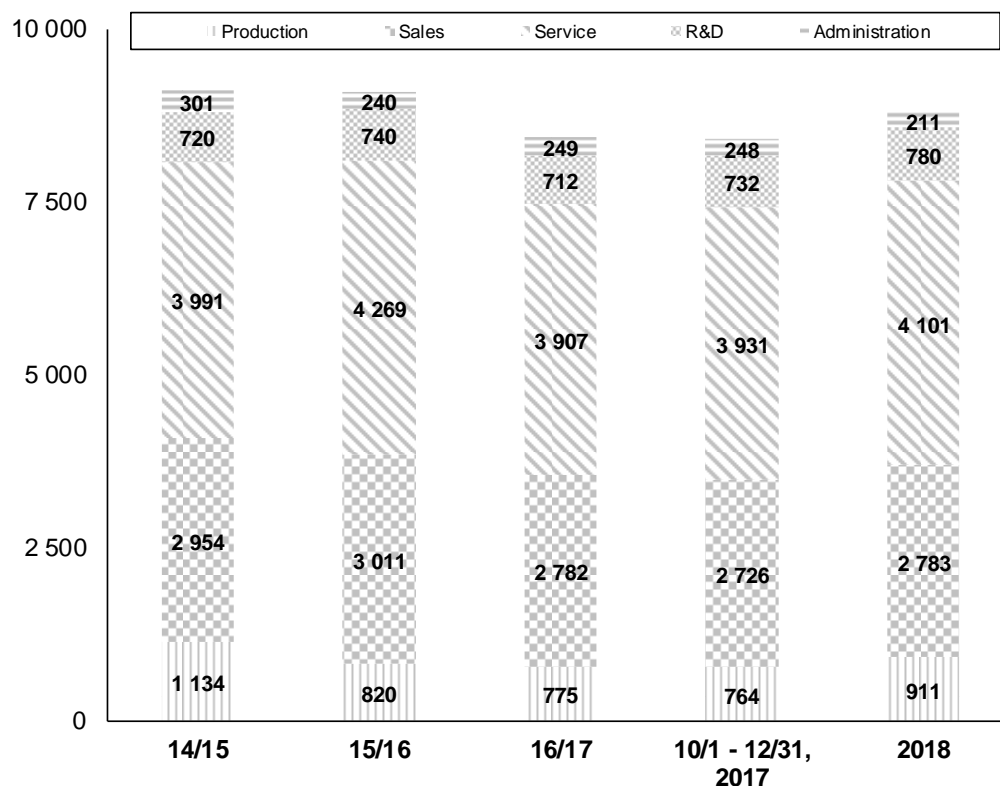
Group Headcount by Region.



Focus on integration into the new organizational structure. During the year under review, the focus of our personnel work was on integrating employees into our new organizational structures. With this in mind, one of the main elements of our training and skills development program was lateral management, the aim being to give our senior specialist staff the skills needed to deal with cross-divisional projects and tasks.

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Group Headcount by Function.



Training in Software and Services. We maintained our focus on initial and advanced training in the areas of Software and Services. Courses were arranged for sales staff from every part of the Company.

We held a series of centrally organized product training courses to ensure that our staff have the required portfolio and product know-how, especially on the Software side. In addition, we expanded our established train-the-trainer concept to enhance the skills of our in-house trainers in areas such as Services.

Attracting the next generation of skilled employees. As part of our wider strategy of integrating university graduates into the Company once they complete their studies, we constantly aim to develop new contacts in the field of higher education. Our targeted programs include tailored work experience opportunities, internships and final-year research positions that allow students to gain practical experience. We also attract new technical and commercial staff through our dual education/training and degree/work programs.

This approach is complemented by a dedicated system of in-company talent spotting and development that we launched many years ago. With the help of this ongoing process, we have

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identified a number of employees with the skills needed for leadership positions in the new personnel structure.

Applying modern learning methods. Alongside the comprehensive training packages available through our Learning Management System, we provide our staff with the tools they need to acquire new skills and knowledge independently. We favor modern approaches such as e-learning and blended learning. These combine traditional seminars and workshops at the training center with modern e-learning techniques and greater use of video and online courses.

1.6 Research and development.

The goal of our R&D activities is to increase the value of our products and solutions for our customers. To a large extent, the future success and viability of our Company depends on whether we can offer exceptional services that satisfy those customers. We are committed to developing leading technologies and solutions, especially at the consumer interface. We want to equip our customers to forge a successful path in an environment of dynamic digitalization and to use our solutions as a tool that allows them to build bridges between the physical and the digital world.

One of our key competencies lies within the area of high-end automation technology; these highly sophisticated solutions are underpinned by extensive services as well as state-of-the-art hardware and software. Integrated solutions made up of systems, software, and IT services are a vital ingredient of the trend towards ever-greater digitalization in the banking and retail sectors. This is particularly the case when developing connected commerce concepts, implementing branch and store transformation projects, automating the full spectrum of cash processes and devising systems to facilitate and handle cashless, card-based and mobile payment procedures.

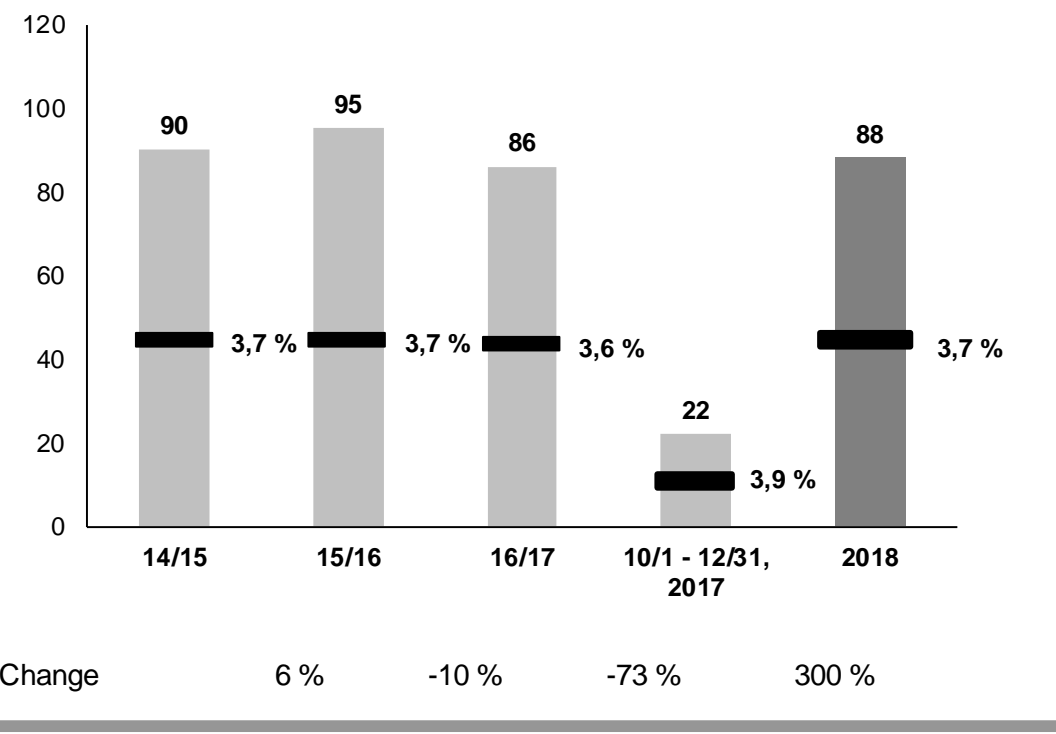
Regional concentration of R&D resources. At the end of the fiscal year 2018, the headcount within the area of R&D was 780 (Dec. 31, 2017: 732). In addition to Germany, we have research and development facilities in Switzerland, Poland, the Czech Republic and Singapore. The total number of active property rights stood at 1,861 as of December 31, 2018 (December 31, 2017: 1,829).

R&D expense down year on year. Research and development costs, which contained no significant one time effects in the fiscal year 2018 and in the comparative prior-year period (calendar year 2017), amounted to €88 million (calendar year 2017: €87 million). At 3.7%, the R&D ratio in the fiscal year was slightly lower than in the same period a year ago (2017: 3.8%). In the fiscal year 2018, capitalized research and development costs amounted to €20 million (2017: €17 million). Amortization of capitalized research and development expenditure amounted to €10 million in the short fiscal year (2017: €3 million).

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**Development of R&D expenditure
with integrated R&D ratio.**

€ million



Software:

Fusing software strategies for banks and retailers.

We have brought together our software solutions for banks and retailers by creating Vynamic™, the aim being to power the ongoing transformation in the financial services and retail industries. Unlike traditional software suites available today, Vynamic™ breaks down channel silos to enable seamless consumer experiences at touchpoints such as mobile devices, automated teller machines, kiosks and point-of-sale terminals.

Banking software: seamless offering spanning all physical and digital channels.

Our banking customers are gearing up more and more to offer their services across all their physical and digital channels and touchpoints with a view to establishing a uniform customer journey. We have restructured and extended our software suite so that our banking customers can display a full record of contact histories all the way from the first contact through to the conclusion of an operation or transaction.

One important trend that has emerged involves implementing architectures through cloud-based micro-services instead of monolithic environments, thus reducing installation and maintenance

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costs. In the year under review, we continued to make our server software cloud-compatible with due regard for the latest standards.

New approaches to software development are needed in order to keep pace with demands on evolving technology platforms. We make increasing use of programming tools to help us produce and supply software at the required speed. These tools allow us to model transactions, and based on the transaction model, we can then go on to produce software components that can be used for every channel. This helps to reduce complexity and cost and speeds up time to market.

We further adapted our graphical user interfaces ("GUIs") to the latest web development standards so that they can be used with the same look and feel on all terminals.

To enhance the security and availability of our installed systems, we refined our security software and invested in our own management software for remote maintenance of self-service systems.

Banking hardware: portfolio integration.

We further harmonized the global system portfolio for banks as part of our ongoing integration measures. This was achieved using a best-of-best approach. Our future portfolio will comprise the best systems and individual components in terms of technology and economy. These decisions were taken based on performance, total product life-cycle costs, serviceability and quality. Furthermore, we introduced a uniform company-wide color scheme and a unification of naming for our system portfolio.

Some countries have issued new bank notes, exchanged traditional banknotes with polymer banknotes and, in some cases, established new denominations. To ensure that these notes can be processed in the usual quality, we have adapted our cash modules and currency data files and have carried out new certifications at national and regional banks.

Security is a crucial element of cash handling. With this in mind, we continue our work to develop technologies and system components as well as software and services that help to improve security.

We made further improvements in respect of user-friendliness and user experience. At the same time, we integrated larger screens into our systems. As an alternative to entering a personal identification number ("PIN") using a separate keypad (Encrypted Pin Pad, EPP), we now provide systems that allow customers to enter their PIN using a touch monitor. The PIN is encrypted in the monitor and the encryption certified. To facilitate contactless transactions with near field communication ("NFC") cards or NFC-compatible smartphones, we are in the process of integrating NFC modules into our systems.

The trend towards recycling systems (instead of pure pay-out functions) still exists. However, the market is in "saturation" with low growth numbers. The focus of the business lies in the exchange of existing systems.

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Retail software: enhanced user-friendliness and functionality.

Our focus with regard to the refinement of software used by retail customers was on improvements to the architecture, user-friendliness, and functionality of our Vynamic™ Retail Application Suite.

Thanks to our extended micro-services-based software architecture and standardized applications logic, we can now supply a comprehensive, future-proof applications suite based throughout on cloud-oriented technologies and development principles. At the same time, we harmonized the look and feel of the individual components, thereby ensuring the intuitive use of our solutions for all stationary and mobile applications. Based on this new technological foundation, we have been evolving our software solutions portfolio primarily in the area of mobile and stationary services, the focus being on customer engagement and retention. Vynamic™ Engage, a new element within the portfolio, was released at the beginning of fiscal 2018.

We also worked on improvements that make it possible to deploy the software more widely at an international level, thus supporting the expansion plans of many of our customers.

Strategic partnerships for selected high-growth areas.

Components for mobile solutions play an increasing role in our solutions portfolio. The strategic partnership between the Diebold Nixdorf, Inc. Group and Kony, Inc., one of the biggest providers of cross-platform, cloud-based mobility solutions, will help to expand our portfolio of mobile solutions for applications at branch level and in digital retailing. With the help of Vynamic Mobile™, the first apps for improved customer service and retention were launched.

Retail hardware: high-performance technology covering the full spectrum of retail formats.

We made further refinements to the retail systems in terms of performance, user-friendliness and functionality, which included equipping our checkout systems with the latest processor technology. We also extended our range of self-checkout systems to include terminals that are capable of covering a wide range of in-store customer journeys. With a strong focus on quick service restaurants, we developed kiosk terminals that takes customer orders, provides product information, sells tickets, and automates routine tasks; it can even be used as a self-checkout.

1.7 Procurement, production, and logistics.

Global operations shaped by drive for integration. With regard to our procurement, production and logistics activities in the period under review, the main focus again was on efforts to merge the production, procurement and supply chain networks within the Diebold Nixdorf, Inc. Group. Over the course of the year, we were able to consolidated our available capacity and implement forward-looking processes.

With the introduction of a new global Target Operating Model (TOM) in summer 2018, organizational structures have been adjusted. Responsibility for all manufacturing facilities has been concentrated under a global manufacturing lead, as well as planning and controlling functions towards distributors and suppliers were focused under one global supply chain lead. As far as possible, production is based on the "local for local" principle, i.e., within the sales region

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in question, so that we can respond quickly by making and delivering the products specifically requested by our customers close to where they are based.

The operations sites of the Diebold Nixdorf, Inc. Group in Paderborn, Greensboro and Singapore assume the main control function within the network in respect of technology and processes, while so-called satellites are specifically focused on local markets.

We have been able to generate considerable synergies, both in our operational processes and in planning and control functions. Both technical and personnel capacity underwent substantial streamlining within the new organization.

Thanks to its excellent cost structure and technological expertise, our production facility in Paderborn has established itself as a worldwide leader within the Diebold Nixdorf, Inc. Group. Substantial efficiency gains were achieved as a result of targeted investment in manufacturing technology and through the introduction of cutting-edge processes. The emphasis here is on Industry 4.0 digital applications. With this in mind, the Smart Module Factory ("SMF") was launched as a plant-in-plant concept for the best possible provision of mechatronic assemblies in series production. This involves implementing lean commodity supply and Industry 4.0 concepts, primarily with regard to process monitoring. To support these changes, we have taken steps to integrate and train our workforce, ensuring that they have the skills they need in the Industry 4.0 digital working environment.

Optimized supplier network. As part of our integration efforts, we completed the measures to implement a global purchasing organization. The main goal was to create a highly efficient network spanning our global development centers, operating sites and procurement markets. The period under review also saw the successful continuation of our Strategic Partnership Program, the aim being to consolidate our global supplier network and leverage synergies. Despite highly unfavorable market trends as evidenced by the surge in steel prices and a shortage of electronic components, we managed to achieve our streamlining targets for material costs. By working in close collaboration with our strategic suppliers, we are thus able to establish a competitive foundation for new products with regard to material costs.

At the same time, we completed measures aimed at integrating the global supplier quality engineering organization, while also implementing the required quality standards and processes at an international level. It is one of the essential prerequisites for meeting our quality targets for this complex product ramp-up – from prototyping through to series production.

Embracing quality at every level. Diebold Nixdorf supplies its customers with solutions that combine the benefits of a highly failsafe design and exceptional availability. We believe in product quality and an outstanding range of services, even where solutions are highly complex.

Our approach to quality is holistic. We start by defining the requirements that our hardware, software and services need to meet. This is followed by the development of solutions and production, and finally implementation and operation at client companies. That means taking account of all influencing factors in our assessment of quality.

Our sites, development hubs and production facilities form a global quality network in which all Group undertakings aimed at achieving quality are coordinated. We made further progress on

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globally uniform quality standards and process harmonization with the goal of ensuring the highest possible levels of quality for the long term.

2 Report on Economic Position.

2.1 Macroeconomic and industry environment.

According to data from the International Monetary Fund (“IMF”), the world economy lost momentum in 2018. In its October 2018 forecast, the IMF predicted that 2018 would draw to a close with a global economic growth rate of 3.7% for the year as a whole, down from the 3.9% it projected in April. For 2019, it anticipated growth of 3.7%. Explaining its gloomier growth outlook, the IMF cited both the negative effects resulting from trade policy measures as well as increasing difficulties faced especially by emerging markets and developing countries, where the rising cost of borrowing and higher oil prices are putting a squeeze on financing. The most highly developed industrialized nations also face risks if central banks accelerate their retreat from expansionary, low interest rate policies in light of worsening conflicts over trade or political uncertainty.

For the eurozone countries, the IMF's October forecast expected average growth rates of 2.0% for 2018 and 1.9% in 2019. According to the IMF, Germany was expected to grow at a slightly slower pace than the eurozone average, with economic output projected to rise by 1.9% in 2018 and again by 1.9% in 2019.

For Russia, the IMF predicted a gradual recovery in 2018 and 2019. The economists also expect a stronger recovery for Latin America in 2019, following the slowdown in 2018. In China, by contrast, the IMF expects the pace of growth to decline.

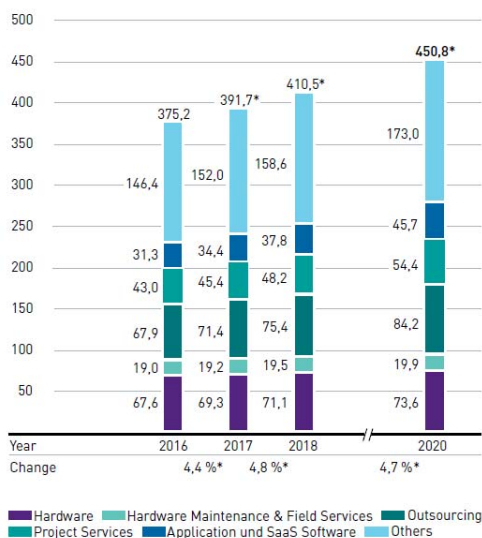
For the USA, the fund's predictions were for 2.9% growth in 2018, falling to just 2.5% in 2019. The IMF experts regarded the positive situation in 2018 as having been caused by unsustainable policies, with growth likely to slow once these effects lose their impact.

Industry environment.

Expenditure on IT shows further increase in banking and retail sectors. According to an analysis by market research firm Pierre Audoin Consultants (“PAC”), both banks and retailers have increased their capital spending on IT. Based on the data in the report, global expenditures within the banking sector is set to rise by 4.8% in the course of 2017 to 2018, while retail companies are likely to increase their investments in IT systems by 4.5% year on year. In absolute terms, investment spending by banks and retailers is likely to rise to €450.8 billion and €182.6 billion respectively in the year 2020. Hardware-related business will play a marginal role when it comes to driving growth in the retail and banking industries. By contrast, business in the field of software and software-related services is likely to provide much more impetus. This is probably attributable largely to the impact of progressive digitalization and automation. Business within the area of outsourcing also holds potential for growth. In our opinion, the significant growth rates predicted in the field of banking, in particular, are due to substantial cost-related pressures and associated efforts to streamline fixed costs by outsourcing services to external business partners.

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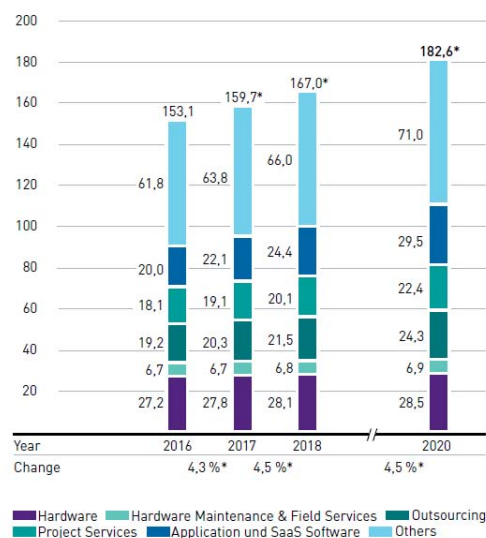
GLOBAL IT EXPENDITURE IN THE BANKING SEGMENT. € billion



* Forecast.

Source: PAC, August 2017

GLOBAL IT EXPENDITURE IN THE RETAIL SEGMENT. € billion



* Forecast.

Source: PAC, August 2017

Banks:

Against a background of macroeconomic stabilization, the conditions are in place for the global retail banking industry to achieve an average annual growth rate of 4.7% up to the year 2020. This was the conclusion reached by the Boston Consulting Group ("BCG") following an assessment of its global banking pools, which are based on data from 2,100 banks in more than 150 countries around the globe. Nevertheless, the regional picture remains extremely uneven, with wide variations between the developed markets of Western Europe and North America on the one hand and emerging markets on the other.

In its Retail Banking Radar study, A.T. Kearney is less upbeat about the situation facing European banks in the context of the ECB's (European Central Bank) continued embrace of near-zero interest rates as a monetary policy tool and the risks posed by the Italy banking market. According to the study, income generated per customer fell between 2015 and 2016 and therefore remained well below pre-financial crisis levels. Here too, however, there are striking regional differences.

Both studies conclude that there is a visibly widening gap between the market's top performers and the remaining banks. The authors suggest that in order to improve their cost-to-income ratio, banks need to continue working on the refinement of their operating and IT models, for example, through greater centralization of their operating processes as well as automation and industrialization. In pursuing these changes, it is essential that existing data is made usable to a greater extent than in the past by deploying big-data programs. This, as the study puts it, applies equally to the ongoing personalization of consumer-facing business.

Both studies also highlight the trend towards "open banking" (e.g., in Europe through the Second Payment Services Directive, PSD2) as one of the most important change factors to which the banks need to adopt a strategic response.

GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018

BCG recommends that as a priority banks should implement three basic strategies to optimize their income and avoid jeopardizing the relationship with their customers, especially in the battle over who can drive down costs the furthest. The first element of this strategy involves harnessing human and digital capacity more efficiently as a way of optimizing their marketing model. The second is to direct their “value proposition” to customers at a more individual level, and the third is to adopt a mindset that is centered on the customer’s goals rather than on products. BCG argues that many banks are unable to implement the last element of the strategy due to a lack of IT/process integration. They note that while many have made considerable progress in terms of front-end development (e.g., user-friendly apps and websites), this has not been matched in the field of integration with the back-office.

Retail: Focus on the “connected store.”

Despite the growth in online sales, retail branches will retain their key role. In our omnichannel world, consumer expectations of both stationary and online retail experiences are increasing. Retailers need to put the “connected store” vision into practice so that they can offer their customers a better and more contemporary service. All these observations can be found in Planet Retail’s Store Tech Trends study, which was published in May 2017. According to the report, every area of the retail business will be transformed by systems that are perfectly integrated into the IT environment, improved communication technologies, customer retention systems and solutions designed to recognize individual customers.

The trend toward store automation – from incoming supplies all the way through to the checkout – will continue. Consumers will increasingly use their own mobile devices to buy items in the store and will expect to be able to complete purchases that they initiated online. “Click and connect” services where consumers order goods online and then collect them at the store are just one example of this trend and lead to an increase in the frequency of visits. The Planet Retail study also notes that retailers are investing in “big data” solutions to give themselves a clear overview of stock levels and identify patterns of customer behavior.

From an overall perspective of the retail market, regional players are currently achieving dynamic growth, while global retailers continue to drive ahead with their plans for international expansion.

GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018

2.2 Course of business.

Business performance of the Group.

Overall assessment of business performance. The fiscal year, covering the period from 1 January to 31 December 2018, developed in line with Diebold Nixdorf's original expectations. Projections made at the beginning of fiscal 2018 with regard to net sales were met. In terms of earnings, the company saw a significant decline in operating profit before one-time effects, as projected.

Comparison of actual and forecast course of business.

Net sales and operating profit in line with guidance. Overall, Diebold Nixdorf AG had moved into 2018 with a cautious outlook. With this in mind, 2018 saw the introduction of an extensive, multi-year transformation program by the name of DN NOW in support of an action plan set out by Diebold Nixdorf, Inc., incorporating elements covered by the previous DN2020 program as well as other measures. The aim was to stabilize net sales at €2,310 million, i.e., at the level recorded in the comparative prior-year period (from January 1 to December 31, 2017) or to move slightly beyond this figure. By contrast, the outlook for EBITA before one-time effects pointed to a figure that was significantly lower than the total of €212 million achieved in comparative prior-year period. Originally, one-time expenses were to be significantly lower than in the comparative pro-forma period. The guidance figures for net sales and operating profit (EBITA) for 2018 presented in the consolidated financial statements for the short 2017 fiscal year were met. By contrast, the forecast with regard to one-time expenses was exceeded by a significant margin due to the execution of DN NOW and other business decisions relating to the product portfolio and the production landscape.

The key financial indicators for fiscal 2018 and the short 2017 fiscal year as well as the comparative prior-year period of 2017 are as follows:

Key financial indicators	€ million		
	2018	10/1 - 12/31, 2017	2017
Net Sales	2,400	567	2,310
EBITA before one time effects	136	62	212
EBITA including one time effects	68	62	181
EBITDA before one time effects	200	76	266
EBITDA including one time effects	132	76	235
Net Income	35	51	138
Cash flow from operating activities	82	73	189

In terms of net sales, both the Banking and Retail segments recorded growth relating to Hardware business. While net sales in the area of Software/Services remained stable year on year within the Banking segment, they declined in the Retail segment. Operating profit was adversely affected primarily by an unfavorable revenue mix in the Retail segment, persistent price erosion within the Banking segment and elevated costs associated with Services. From the perspective of Diebold

GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018

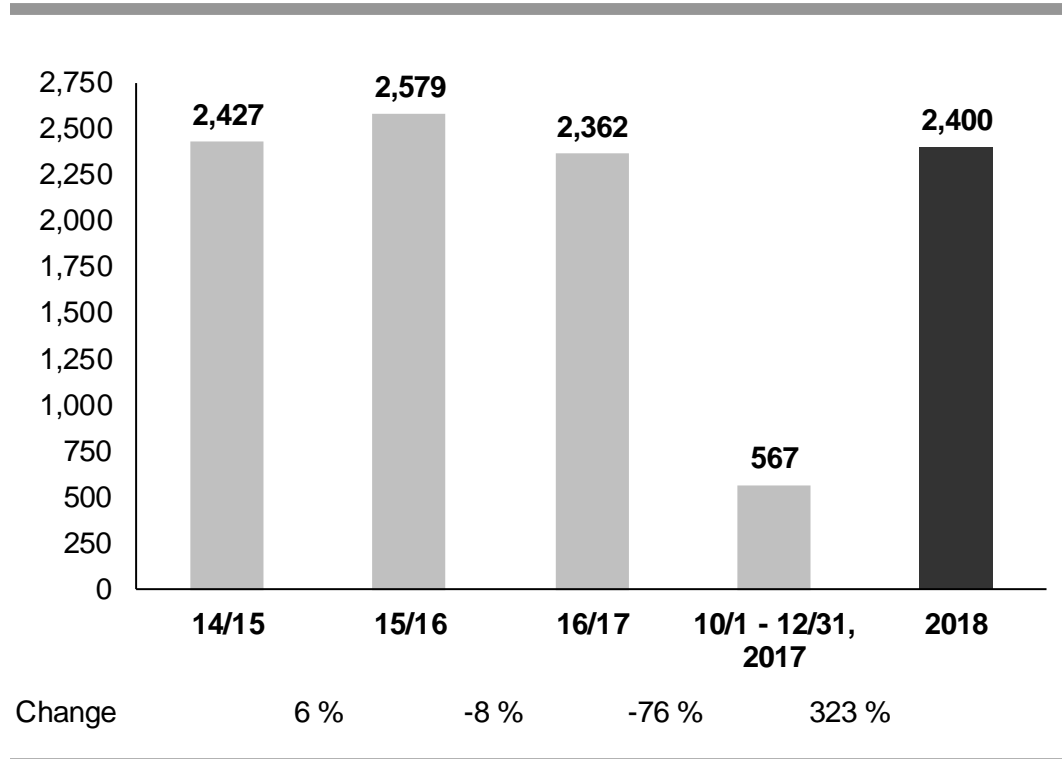
Nixdorf AG, the merging of business units as part of the DN2020 program had an impact on both net sales and operating profit.

In fiscal 2018, net sales rose by 4% or €90 million to €2,400 million (2017: €2,310 million). By contrast, operating profit before one-time expenses fell markedly by 36% or €76 million to €136 million (2017: €212 million).

Restructuring expenses amounted to €30 million in the period under review (2017: €33 million). In addition, other one-time expenses arose in the year under review, mainly due to a reduction of the product portfolio and a concentration of production facilities, which necessitated write-downs of inventories totaling €40 million, while associated income amounted to €2 million (2017: expenses of €46 million and income of €48 million). After one-time expenses, operating profit stood at €68 million (2017: €181 million).

Net Sales History.

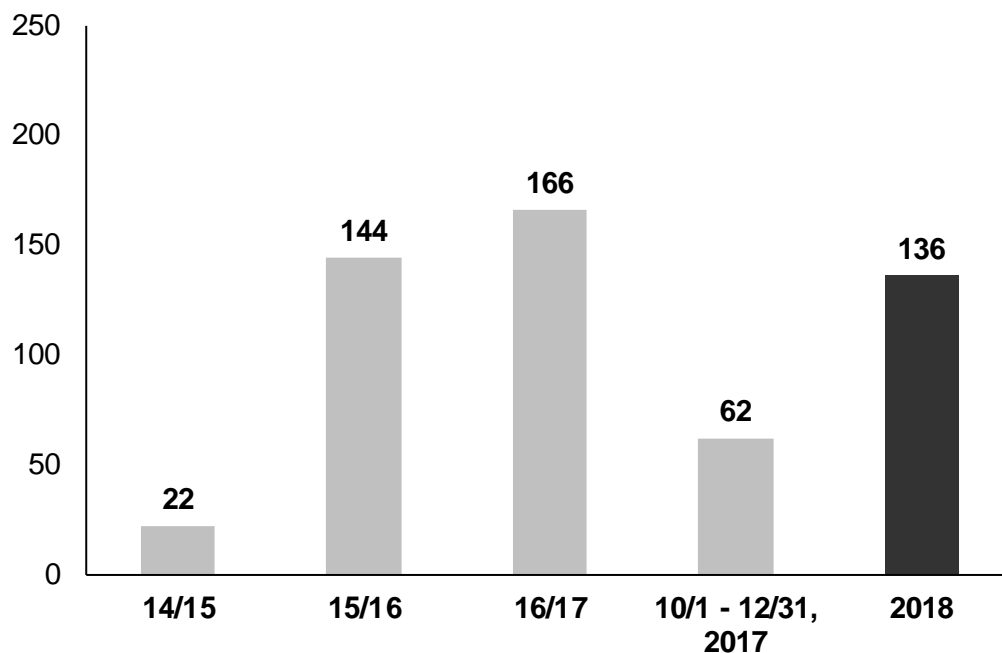
€ million



**GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF
AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018**

EBITA History.

€ million



Change 555 % 15 % -63 % 119 %

Reconciliation of EBITA.

€ million

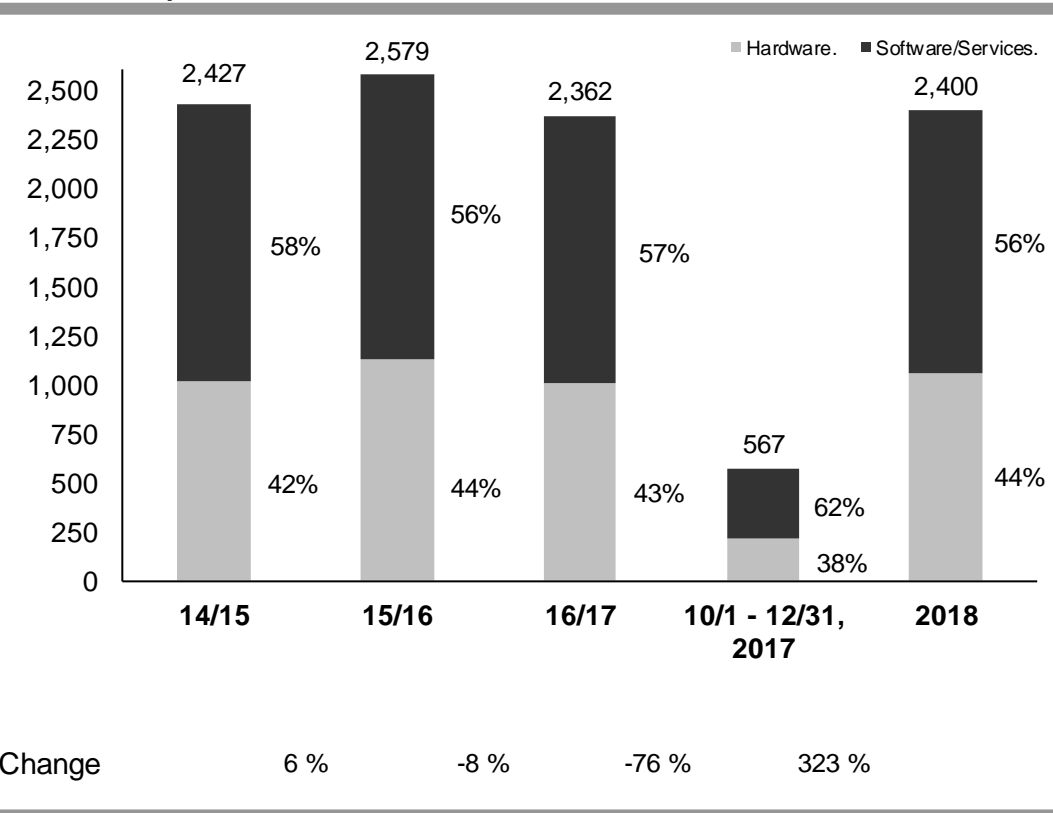
	2018	10/1 - 12/31, 2017
EBITA before one time effects	136	62
- One time effects	-68	0
<i>thereof restructuring expenses</i>	-30	-6
<i>thereof expenses for streamlining the product portfolio</i>	-26	0
<i>thereof others</i>	-12	6
EBITA including one time effects	68	62

**GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF
AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018**

Net sales by business stream.

Growth in net sales from Hardware, Software/Services down slightly year on year. Amid difficult market conditions, business in the field of Hardware proved satisfactory in the period under review. Within the Banking segment, goods supplied to the Americas had a positive impact. Software/Services, by contrast, recorded a slight dip in net sales compared to the previous year.

Net Sales Split: Hardware and Software/Services. € million

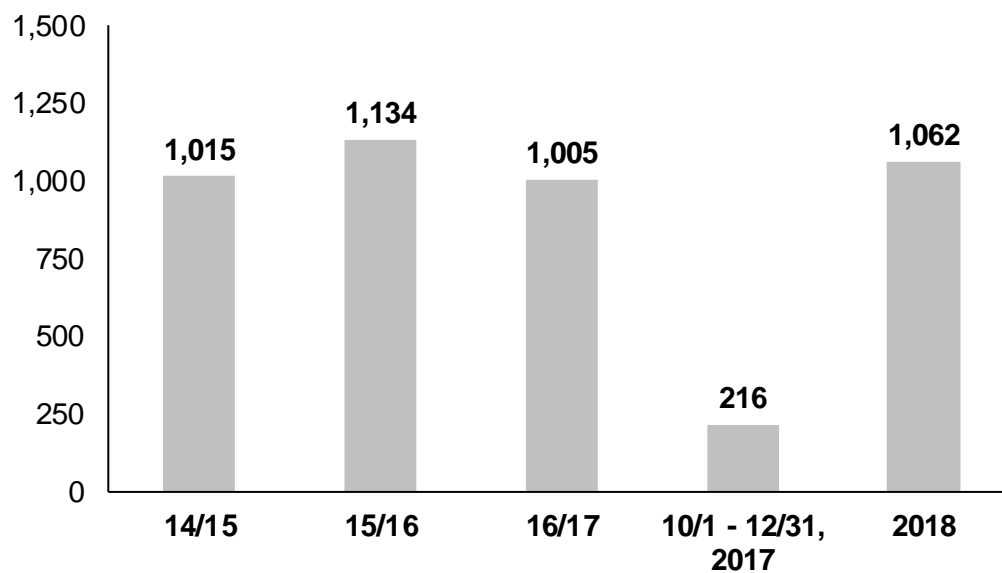


**GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF
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At €1,062 million (2017: €949 million), consolidated net sales attributable to Hardware in the financial year under review were up by 12% on the figure reported for the same period a year ago. In this context, both the Banking segment and the Retail segment recorded an upturn in shipments, although they were more pronounced in the Banking segment. As a result of this performance, the contribution made by the Hardware business to total consolidated net sales expanded to 44% (2017: 41%).

Hardware.

€ million



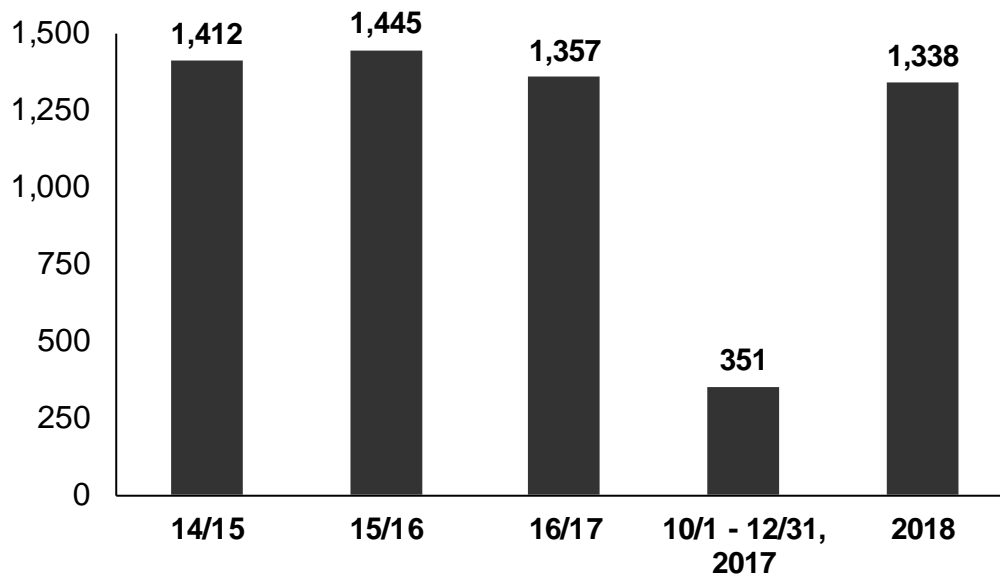
Change	12 %	-11 %	-79 %	392 %
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**GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF
AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018**

Net sales attributable to Software/Services fell marginally year on year, down by 2% to €1,338 million (2017: €1,361 million). This was attributable primarily to Services. As regards total Group revenue, the proportion of net sales relating to Software/Services declined to 56% in the period under review (2017: 59%).

Software/Services.

€ million



Change	2 %	-6 %	-74 %	281 %
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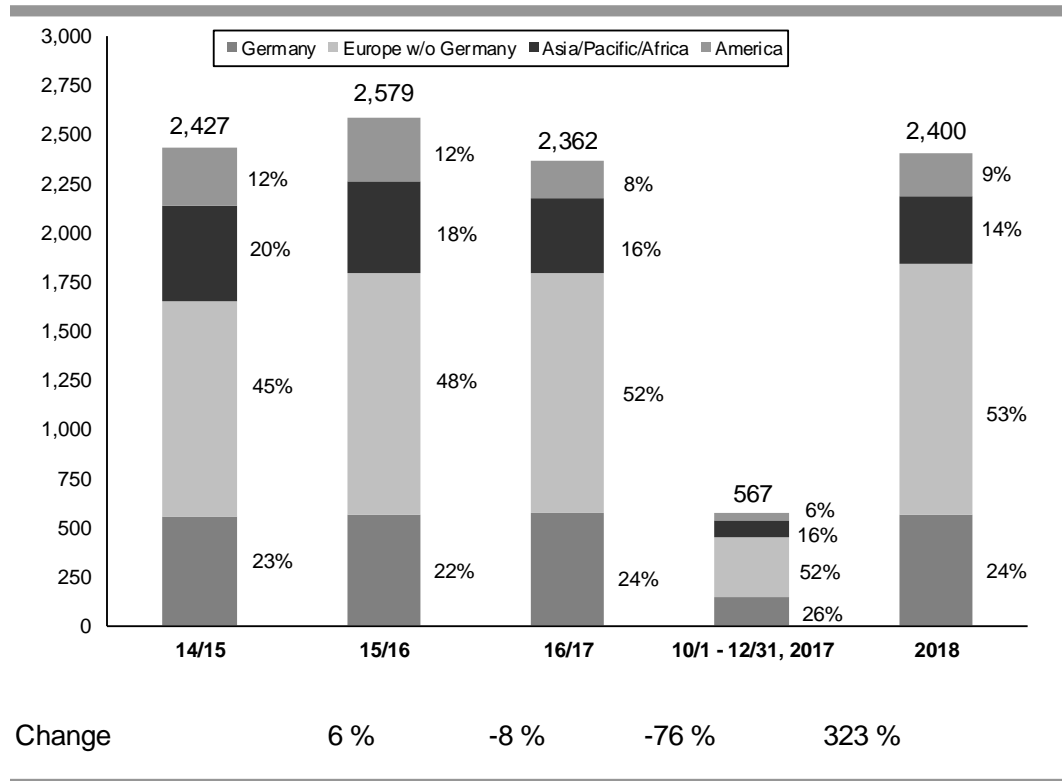
GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018

Net sales by region.

Different regional sales performance. Compared to the same period a year ago, business in the various regions developed along diverging lines in fiscal 2018. In Germany, net sales were comparable to the prior-year level. In Europe, excluding Germany, net sales grew at a faster rate than in the Group as a whole. Business in the Americas expanded markedly due to intragroup shipments within Diebold Nixdorf, Inc. In Asia/Pacific/Africa, however, net sales were down by a significant margin.

Comparison of Regional Sales Performance.

€ million

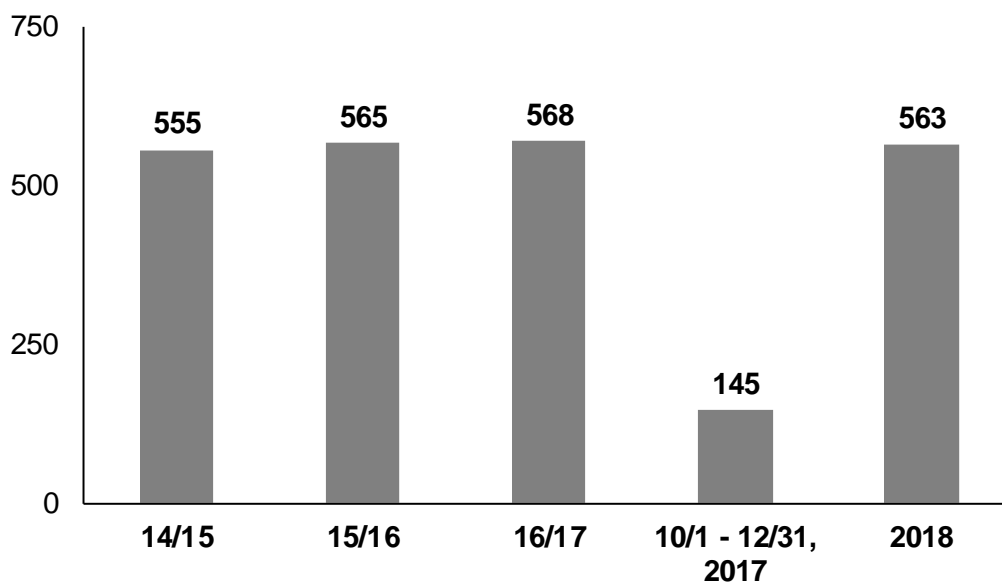


**GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF
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In Germany, net sales remained largely unchanged year on year, up by 1% to €563 million (2017: €557 million). In this specific market, gains achieved in the Banking business were sufficient to offset declines recorded in the area of Retail. At 24% (2017: 24%), Germany's share of the Group's total net sales remained stable year on year.

Germany.

€ million



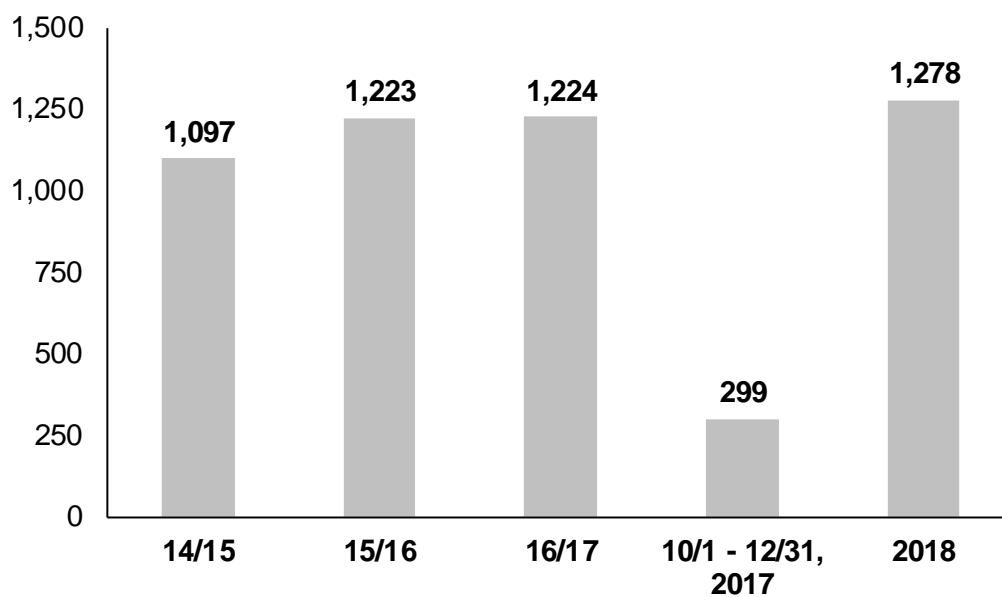
Change	2 %	1 %	-74 %	288 %
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**GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF
AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018**

In the region encompassing Europe (excluding Germany) net sales totaled €1,278 million, which was higher than the figure posted in the same period a year ago (2017: €1,207 million) – corresponding to growth of 6%. Growth in this region was driven, above all, by gains made within the Banking business, whereas the level of Retail sales was similar to that seen in the previous year. Overall, Europe's (excluding Germany) share of the Group's total net sales rose to 53% (2017: 52%).

Europe w/o Germany.

€ million



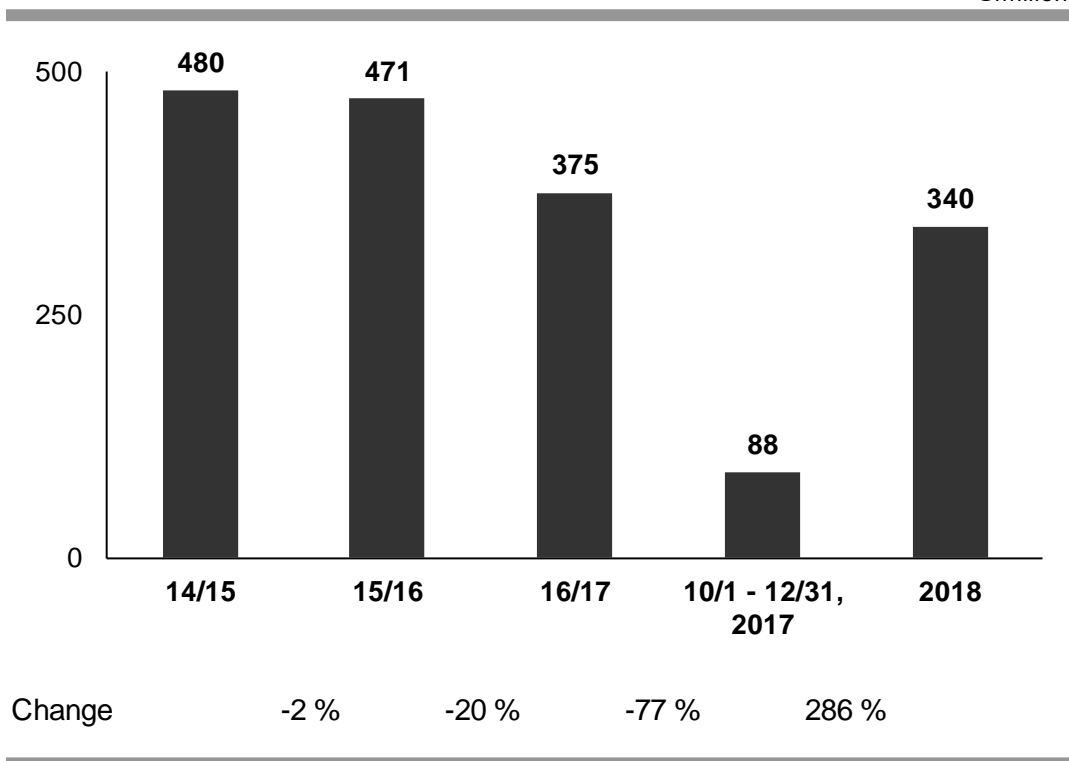
Change	11 %	0 %	-76 %	327 %
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**GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF
AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018**

The region covering Asia/Pacific/Africa saw net sales fall in both segments, taking the figure to €340 million (2017: €368 million). This represents a downturn of 8%.

Asia/Pazific/Africa.

€ million

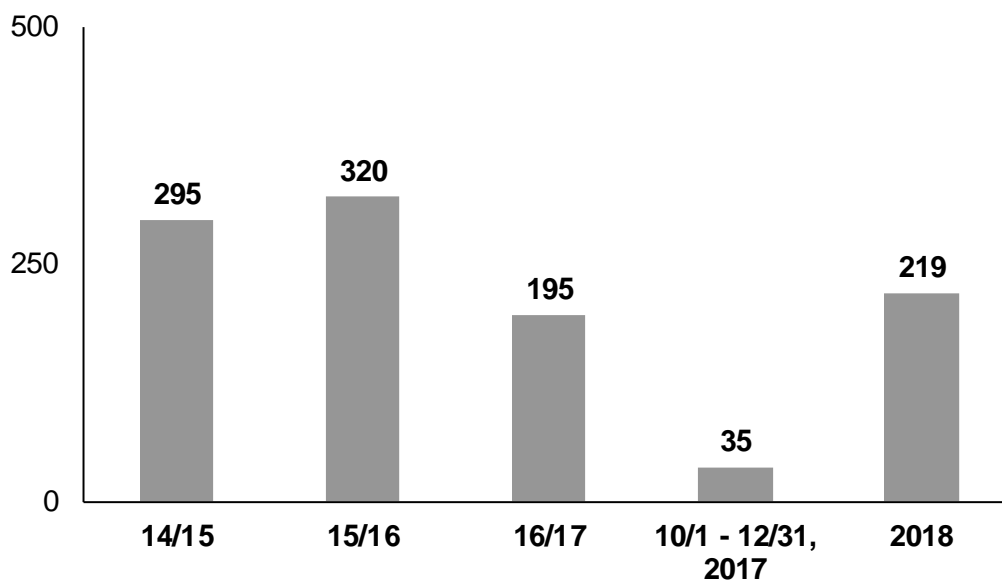


**GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF
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As a region, the Americas recorded a 23% increase in net sales, which lifted the figure to €219 million (2017: €178 million). This was driven in particular by shipments to companies operating within Diebold Nixdorf, Inc. Group. Both segments contributed to growth in this region.

Americas.

€ million



Change	8 %	-39 %	-82 %	526 %
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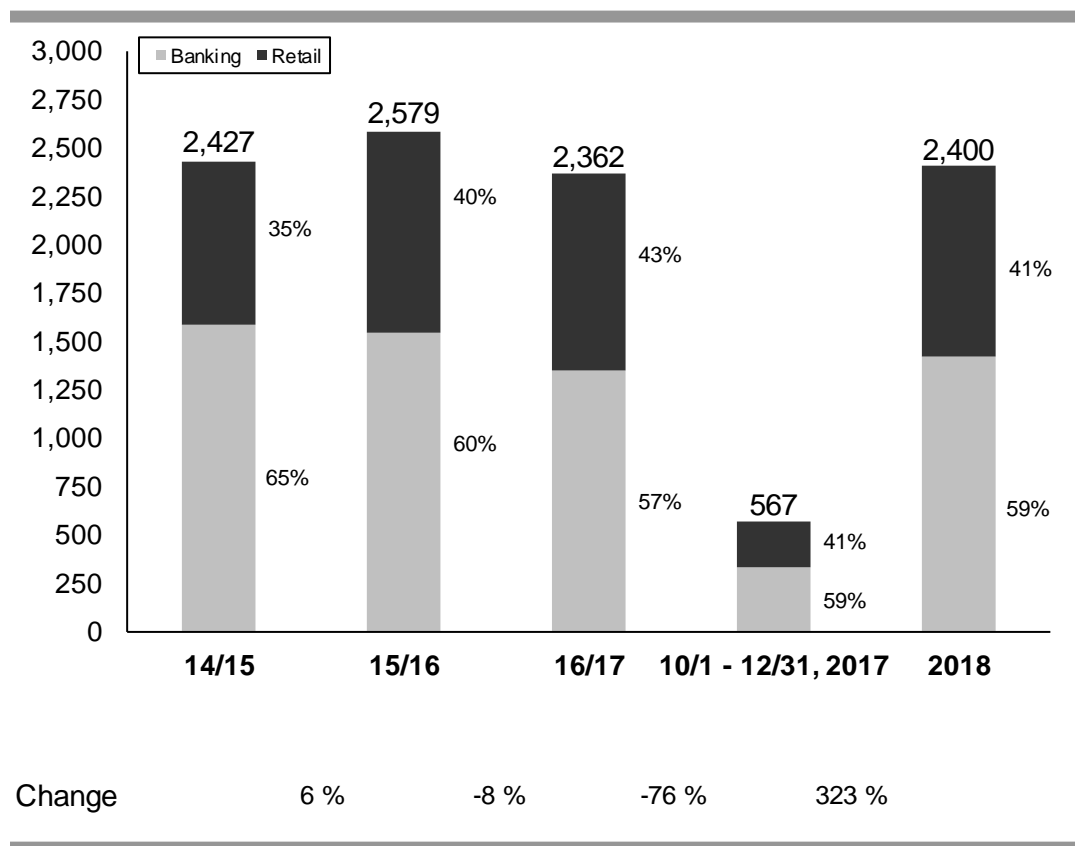
**GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF
AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018**

2.3 Business performance by segment.

Segments develop along different lines. The Banking segment saw net sales expand year on year in the period under review, whereas the Retail segment recoded a marginal reduction in net sales. Overall, the Banking segment accounted for 59% of total net sales (2017: 57%), while the Retail segment contributed 41% (2017: 43%) to total net sales.

Net Sales Split: Banking and Retail.

€ million



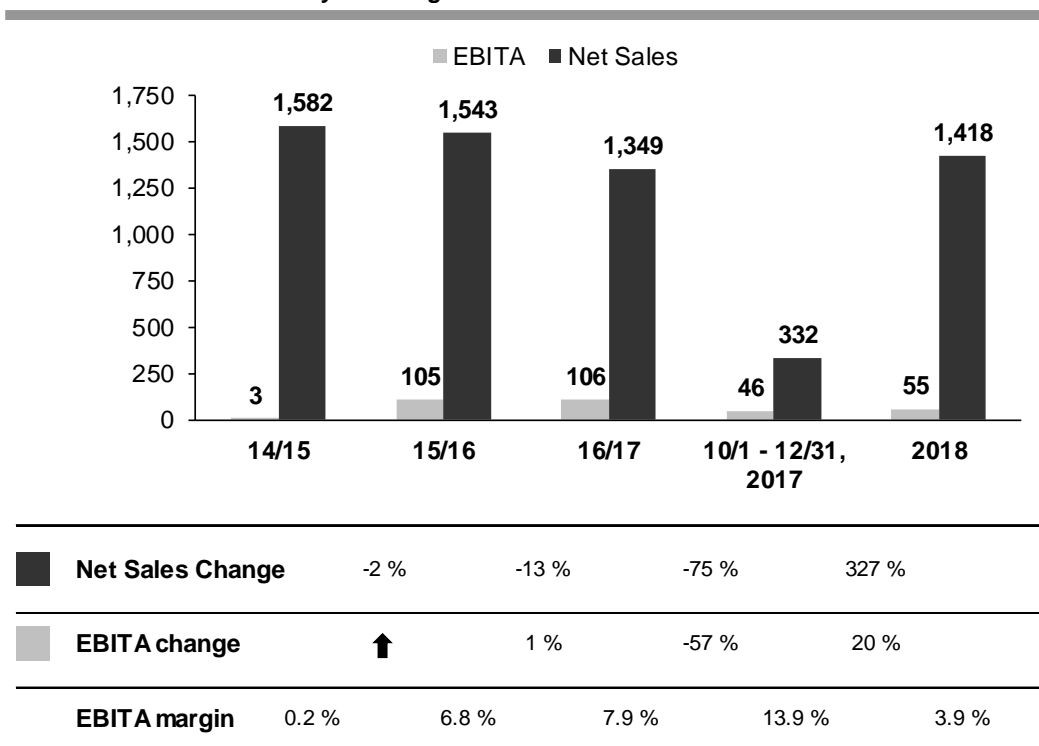
GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018

Banking segment performance.

Substantial growth in net sales, contrasting with marked decline in EBITA before one-time expenses. The Banking segment, which also includes business with postal companies, saw net sales rise by 8% year on year, taking the figure to €1,418 million in fiscal 2018 (2017: €1,312 million). By contrast, EBITA before one-time expenses fell sharply by 34% to €87 million (2017: €132 million) – producing an EBITA margin of 6.1% (2017: 10.1%). This was attributable to the sustained erosion of prices within the area of Hardware as well as higher costs relating to Services. EBITA attributable to the Banking segment amounted to €55 million (2017: €120 million) after one-time expenses, which was also significantly lower than the prior-year figure. Thus, the EBITA margin fell to 3.9% (2017: 9.1%).

Net Sales and EBITA History: Banking.

€million



GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018

Segment performance by business stream.

In the area of Hardware, business was more expansive year-on-year with regard to multifunctional systems.

Net sales attributable to Software/Services remained stable compared to the previous year: while Software and Professional Services saw a year-on-year increase, Services recorded a slight downturn.

Segment performance by region.

In Germany, net sales edged up slightly compared to the previous year, driven mainly by replacement investments by customers.

In Europe, business expanded significantly, with the various countries developing along very different lines.

The region covering Asia/Pacific/Africa saw a significant downturn in net sales. It was impacted mainly by a decline in shipments of monofunctional systems.

In the Americas, business activities were merged as part of integration measures. Against the backdrop of Windows 10 migration and the associated exchange of hardware, net sales increased substantially as a result of shipments made to companies operating within the Diebold Nixdorf, Inc. Group.

GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018

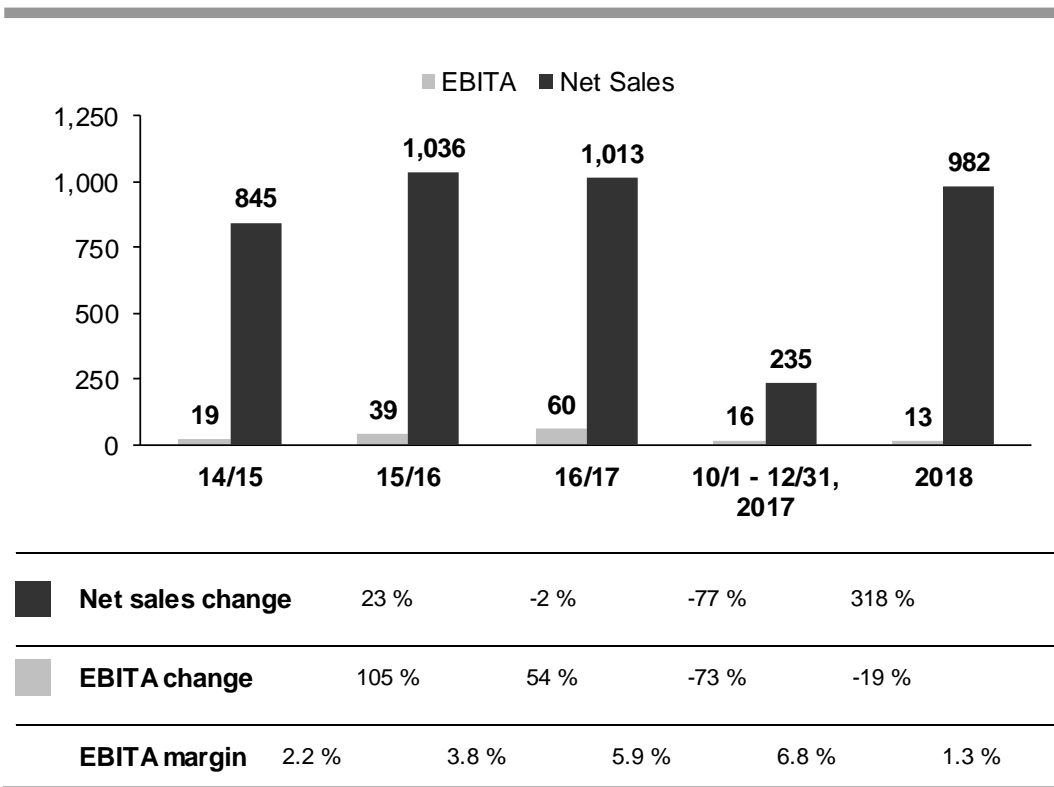
Retail segment performance.

Net sales down slightly and EBITA before one-time expenses down sharply year on year.

In the period under review, net sales within the Retail segment fell slightly year on year, down 2% to €982 million (2017: €998 million). EBITA before one-time effects fell to €49 million in the period under review (2017: €80 million), particularly due to an unfavorable revenue mix. This translated into a reduction in the EBITA margin to 5.0% (2017: 8.0%). EBITA after one-time effects amounted to €13 million (2017: €61 million); the corresponding EBITA margin was 1.3% (2017: 6.1%).

Net Sales and EBITA History: Retail.

€ million



GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018

Segment performance by business stream.

Segment performance by business stream. Whereas net sales from Hardware increased year on year in the period under review, business relating to Software/Services trended lower and resulted in a downturn in net sales. Growth within the area of Hardware was not sufficiently strong to offset this decline in full.

Segment performance by region.

In Germany, retail-specific business fell slightly short of the prior-year level, as some of the projects in this area were impacted by delays.

In Europe (excluding Germany), business was comparable to that seen in the previous year, with sales of POS systems, in particular, largely matching the prior-year figure.

In the region covering Asia/Pacific/Africa, meanwhile, net sales were down markedly due to mounting pressure from local competition.

The Americas saw a surge in net sales from a low base. This was due to specific large-scale customer projects handled by the Company.

GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018

2.4 Performance, assets, and financial position.

Performance.

Group profit fell by €103 million to €35 million in the fiscal year under review (2017: €138 million).

Reconciliation of Result from Business Operations (EBITDA).

€ million

	2018	10/1 - 12/31, 2017
Profit for the period	35	51
+ Income taxes	27	11
+ Financial result (finance costs - finance income)	2	0
+ One time effects	68	0
+ Amortization of goodwill	4	0
EBITA before one time effects	136	62
+ Depreciation/amortization and write-down of industrial rights, licenses, and property, plant and equipment	59	13
+ Write-down of reworkable service parts	5	1
EBITDA before restructuring and transaction expenses	200	76
EBITDA after restructuring and transaction expenses	132	76

The Group's net sales totaled €2,400 million in fiscal 2018, up 4% on the comparative prior-year figure (2017: €2,310 million). While revenue from sales generated in the Banking segment rose by 8% to €1,418 million (2017: €1,312 million), net sales in the Retail segment fell by 2% to €982 million (2017: €998 million).

In 2018 and the other reporting periods presented in this document, functional costs and earnings before interest, taxes, and amortization (EBITA) include one-time expenses attributable to the DN NOW and DN2020 transformation programs. The restructuring expenses included in these items are attributable primarily to staff costs. The other expense items encompass write-downs on inventories (only in the reporting period under view), personnel-related expenses, consulting fees and other expenses/income attributable to the amalgamation of entities in specific countries as part of the DN2020 program.

In support of the goals set out for the Diebold Nixdorf, Inc. Group, a program by the name of DN NOW was launched in 2018. Spanning several years, this extensive integration and transformation program incorporates elements of the previous DN2020 action plan as well as additional measures. The prime objectives of the new program are centered around customer focus, product refinement, structural optimization of balance sheet and operational excellence.

GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018

Gross profit on net sales stood at €491 million (2017: €546 million). This figure was impacted by one-time expenses totaling €38 million (2017: €21 million). Gross profit on net sales before one-time expenses fell by €38 million, or 7%, to €529 million in the fiscal year under review (2017: €567 million); the gross profit margin was 22.0% (2017: 24.5%).

Research and development costs, which again contained no significant expenses from non-recurring items (restructuring) in the period under review, amounted to €87 million (2017: €87 million). The R&D ratio stood at 3.6% (2017: 3.8%).

Selling, general, and administration expenses (including other operating income as well as the result from investments accounted for by applying the equity method) came to €335 million (2017: €278 million); this figure includes one-time expenses of €29 million (2017: €10 million). The total figure for selling, general, and administration expenses before one-time expenses stood at €306 million (2017: €268 million), a decrease of €38 million or 14%. This includes variable staff costs as well as remeasurement effects relating to the joint venture in China. As a percentage of total net sales, the selling, general, and administration expense ratio before one-time expenses stood at 12.8% (2017: 11.6%).

In fiscal 2018, operating profit (EBITA) totaled €68 million (2017: €181 million), including one-time expenses of €68 million (2017: €31 million). EBITA before one-time expenses amounted to €136 million (2017: €212 million); the corresponding EBITA margin was 5.7% (2017: 9.2%).

Including one-time expenses, EBITDA fell to €132 million (2017: €235 million). This represents a reduction of €103 million or 44%. The Group's financial result remained unchanged year on year at -€2 million (2017: -€2 million). Earnings before taxes ended the fiscal year €117 million lower at €62 million (2017: €179 million). The Group's effective tax rate was 44% (Oct. 1 - Dec. 31, 2017: 23%).

GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018

Assets.

At the end of the fiscal year covering the period from January 1 to December 31, 2018, the Group's balance sheet total was slightly higher at €1,638 million (Dec. 31, 2017: €1,618 million).

Assets.	€ million	
	Dec. 31, 2018	Dec. 31, 2017
Assets		
Intangible assets	387	396
Property, plant and equipment and financial assets	111	171
Non-current receivables and other assets	109	96
Non-current assets	607	663
Inventories	211	269
Current receivables and other assets	638	486
Cash and cash equivalents	130	121
Assets held for disposal	52	79
Current assets	1,031	955
Total Assets	1,638	1,618
Equity and liabilities		
Equity (incl. non-controlling interests)	389	433
Pension accruals and other accruals	99	84
Financial liabilities	2	1
Financial liabilities to affiliated companies	3	0
Other non-current liabilities	59	92
Non-current liabilities	163	177
Other accruals	126	136
Financial liabilities	4	2
Financial liabilities to affiliated companies	341	221
Trade payables	278	261
Other current liabilities	302	353
Liabilities relating to assets held for disposal	35	35
Current liabilities	1,086	1,008
Total liabilities	1,638	1,618

Fiscal 2016/2017 saw the introduction of the DN2020 transformation program within the Diebold Nixdorf, Inc. Group. One of the key components of this program was to merge entities in selected countries in order to present a consistent image as Diebold Nixdorf, Inc. within the markets in question and streamline administrative costs associated with duplicate legal structures in that country. Due to the planned disposal of subsidiaries of Diebold Nixdorf AG within the Diebold Nixdorf, Inc. Group in the coming twelve months as well as the planned disposals of subsidiaries to third parties, assets of €52 million (Dec. 31, 2017: €79 million) attributable to these entities were reclassified to "assets held for sale" as of December 31, 2018, in accordance with IFRS 5,

GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018

while associated liabilities of €35 million (Dec. 31, 2017: €35 million) were reclassified to the category entitled "liabilities relating to assets held for sale."

At €387 million (Dec. 31, 2017: €396 million), the carrying amount of intangible assets was down €9 million on the prior-year figure. The carrying amount of property, plant, and equipment was €8 million lower at €100 million (Dec. 31, 2017: €108 million). The carrying amount of financial assets decreased by €52 million to €11 million (short FY 2017: €63 million). This was attributable primarily to the reduction in the carrying amounts of non-consolidated affiliated entities by €38 million to €11 million (Dec. 31, 2017: €49 million). Additionally, an assessment of the probable business performance of the joint venture in China necessitated a remeasurement of interests held, resulting in a reduction in the carrying amount by €14 million to €0 million (Dec. 31, 2017: €14 million). The carrying amount of non-current receivables and other assets increased by €13 million to €109 million (Dec. 31, 2017: €96 million. Non-current assets totaling €13 million (Dec. 31, 2017: €7 million) were reclassified to "assets held for sale."

Within the area of current assets, inventories fell by €58 million year on year to €211 million (Dec. 31, 2017: €269 million), partly as a result of write-downs attributable to the reduction of the product portfolio and the concentration of production plants as well as the separate presentation of €5 million (Dec. 31, 2017: €16 million) in inventories within the category entitled "assets held for sale." Current receivables and other assets rose by €152 million to €638 million (short FY 2017: €486 million), mainly as a result of the increase in receivables from affiliated companies by €126 million to €168 million (short FY 2017: €42 million) relating to goods and services transactions. Furthermore, current receivables and other assets totaling €27 million (Dec. 31, 2017: €47 million) were presented separately in the category covering "assets held for sale." Additionally, receivables from other long-term investees and investors decreased by €7 million to €10 million (Dec. 31, 2017: €17 million) as part of normal business activities. Cash and cash equivalents rose by €9 million to €130 million (Dec. 31, 2017: €121 million); at the same time, cash and cash equivalents totaling €7 million (Dec. 31, 2017: €9 million) were reclassified and presented in "assets held for sale."

Equity, including non-controlling interests, fell by €44 million year on year and amounted to €389 million (Dec. 31, 2017: €433 million) in total. This was attributable primarily to profit transfers to Diebold Nixdorf KGaA totaling €76 million (short FY 2017: €43 million). Further details of equity movements are presented in the table entitled Changes in Group Equity.

Non-current liabilities decreased by €14 million to €163 million (Dec. 31, 2017: €177 million) in the period under review. This was mainly due to reductions in tax liabilities in connection with the guaranteed distribution to non-controlling interests and a decrease in non-current deferred income.

On August 8, 2016, under the terms of the business combination with Diebold Nixdorf Inc., an agreement was concluded with Diebold Self-Service Solutions S.A.R.L. (hereinafter referred to as "Diebold S.A.R.L.") covering a revolving credit line of €300 million up to August 8, 2021. Current financial liabilities from the revolving credit line amounted to €94 million as of December 31, 2018 (Dec. 31, 2017: €42 million), which was mainly due to financing requirements for operating activities.

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Current liabilities rose by €78 million to €1,086 million (Dec. 31, 2017: €1,008 million). In this context, other current accruals (i.e., provisions) fell by €10 million to €126 million (Dec. 31, 2017: €136 million), primarily as a result of lower provisions attributable to short-term personnel-related matters. In addition, a total of €2 million (Dec. 31, 2017: €5 million) in other provisions was reclassified to "liabilities relating to assets held for sale." From the present perspective, the accruals (i.e., provisions) recognized by the Group sufficiently cover all of its probable obligations. By contrast, trade payables arising from business transactions rose by €17 million to €278 million (Dec. 31, 2017: €261 million). The increase in current liabilities was attributable mainly to higher financial liabilities towards affiliated companies, up by €120 million to €341 million (Dec. 31, 2017: €221 million), which was due primarily to amounts payable in respect to the profit transfer to Diebold Nixdorf KGaA.

Compared to the previous year, other current liabilities decreased by €51 million to €302 million (Dec. 31, 2017: €353 million). This was attributable mainly to the reduction in other liabilities by €30 million to €224 million (Dec. 31, 2017: €254 million), primarily as a result of lower tax liabilities and a decline in payables relating to services rendered to customers. A total of €33 million (short FY 2017: €35 million) in current liabilities was presented in the category entitled "liabilities relating to assets held for sale."

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Financial position.

At €82 million, cash flow from operating activities in fiscal 2018 was down markedly on the figure posted for the comparative prior-year period (2017: €189 million).

Cash flow.

€ million

	2018	10/1 - 12/31, 2017
EBITDA	132	76
Cash flow from operating activities	82	73
Cash flow from investing activities	-61	-17
Cash flow from financing activities	-17	-32
Change in liquidity	4	24
Change in cash and cash equivalents from exchange rate movements	1	0
Cash and cash equivalents at the beginning of the period*	128	104
Cash and cash equivalents at the end of the period*	133	128

*: Including cash and cash equivalents, cash and cash equivalent presented as assets held for sale as well as current bank liabilities.

EBITDA after one time effects, as the basis for the calculation of operating cash flow, was substantially lower year on year at €132 million (2017: €235 million). Income tax payments produced a cash outflow of €25 million (2017: €30 million). The increase of working capital, adjusted for the effects of acquisitions and changes to the basis of consolidation, resulted in a cash outflow of €32 million (2017: inflow of €52 million). Following the elimination of results from the disposal of entities and business units previously included in consolidation on the one hand and the addition of business units as part of integration measures on the other, operating cash flow was diluted by €2 million (2017: €38 million). Together, the change in other assets and other liabilities as well as the change in accruals (i.e., provisions) produced a cash outflow of €50 million (2017: cash outflow of €5 million).

Net cash used in investing activities over the reporting period decreased to €61 million (2017: €66 million). Integration-related changes to the scope of consolidation were accounted for primarily as non-cash transactions and, having been offset against financial loans of related companies, allocated to investing activities. The inflow and outflow of cash and cash equivalents associated with these changes to the scope of consolidation have been presented as a cash inflow and cash outflow from investing activities.

The net cash outflow from financing activities was €17 million in fiscal 2018 year (2017: net cash outflow of €156 million). In 2018, a net amount of €17 million (2017: cash outflow of €44 million) was repaid to the related entity Diebold Nixdorf, Inc. (or offset) in the context of the revolving credit line. The transfer of profit completed in line with the DPLTA with Diebold Nixdorf KGaA was

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accounted for as a non-cash transaction and, having been offset against financial loans of related companies, allocated to financing activities.

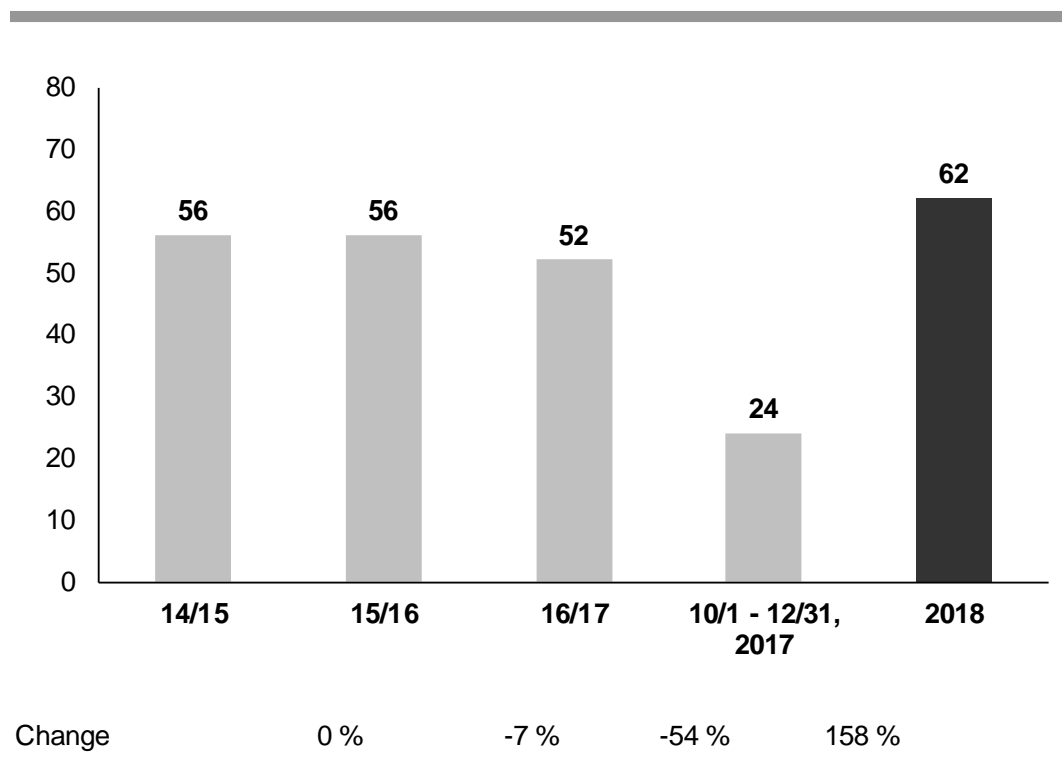
At €20 million, free cash flow (cash flow from operating activities less capital expenditure on intangible assets, property, plant and equipment, and reworkable service parts) in fiscal 2018 was down by €104 million compared to the same period a year ago (2017: €124 million).

Capital expenditure.

In fiscal 2018 investments totaled €62 million (Oct. 1 - Dec. 31, 2017: €24 million). These were directed primarily at IT equipment, software and licenses, specialist tools and reworkable service parts. Within the IT field, operations in Germany again formed the primary focal point of investment spending.

Capital expenditures.

€million



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3 Other statutory disclosures.

3.1 Corporate governance.

Management and responsibility.

A modern understanding of corporate governance. The Management Board and Supervisory Board of Diebold Nixdorf AG are committed to responsible business management and control aimed at the sustained creation of value. The principles of corporate governance serve as a basis and guide for employees' conduct in respect of day-to-day management and business operations.

Good corporate governance strengthens the trust of shareholders, business partners, employees, and the general public in our Company. It enhances corporate transparency and underpins the credibility of our organization. In embracing a well-balanced form of corporate governance, the Management Board and Supervisory Board endeavor to secure the overall competitiveness of Diebold Nixdorf AG, reinforce the level of confidence extended by the capital markets and the public in the Company, and raise enterprise value in a sustainable manner.

Corporate Governance Statement pursuant to Section 315d HGB.

The Corporate Governance Statement and the Corporate Governance Report have been made publicly available on our website at www.dieboldnixdorfag.com (Investor Relations section).

3.2 Compliance.

Compliance.

Corporate values and culture. For Diebold Nixdorf AG, a corporate and management culture that not only acknowledges the need to abide by statutory regulations but also embraces values such as integrity and fair competition is an essential prerequisite for a fully functioning compliance management system. Lawful conduct is a precondition for stable and enduring business relationships as well as sustained success with regard to the Company's commercial performance. The Management Board therefore regards compliance as a fundamental management task and has pledged to respect the law, while expressly acknowledging the importance of lawful, social, and ethical conduct. For the Company's employees, a functioning compliance management system offers a framework within which they can act and operate even in difficult situations. It thus helps not only to protect our Company against the detrimental effects of unlawful or non-compliant behavior but also to cement its reputation and enhance its long-term competitiveness.

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With this in mind, Diebold Nixdorf AG is committed to refining its compliance management system on a continual basis in order to adapt it to the changing statutory and commercial factors that are of relevance to its global business activities. Following the business combination of former Diebold, Inc. and Wincor Nixdorf AG to create the Diebold Nixdorf, Inc. Group, the compliance management system of Diebold Nixdorf AG was integrated into the existing compliance program of Diebold Nixdorf, Inc., which includes the adaptation of applicable statutory provisions and organizational measures.

Compliance management system. Building on its understanding of compliance, Diebold Nixdorf AG has established a compliance management system tailored to the requirements of a group operating at an international level. This system encompasses prevention, detection/control and response. The focus of compliance management is on a preventative approach in support of a corporate culture that addresses the issue of potential misconduct before it arises by sensitizing and educating employees.

Against this background, considerable importance is attached to regular compliance training, which is conducted in the form of attended seminars as well as online sessions. Additionally, the compliance communication program and the personal support provided by the Corporate Compliance Office help to build awareness among the workforce of the issue of compliance and any associated risks.

Code of ethical business conduct for employees and suppliers. At the heart of Diebold Nixdorf AG's compliance management system is the code of ethical business conduct. Reflecting the values-led corporate culture embraced by the Group, it is binding for all employees. It is complemented by various guidelines such as the gifts, travel and corporate hospitality policy, which provides personnel with an overview of how to deal with gifts, invitations and corporate hospitality in general. The Group also has a guideline on the prevention of conflicts of interest. It is aimed at raising awareness of this topic within the workforce and offering help and advice on how to deal with such instances.

Another key element is the Code of Conduct for Diebold Nixdorf AG suppliers. It forms an integral part of the purchasing process and is fully incorporated in the purchase agreements.

The compliance organization. Diebold Nixdorf's compliance organization is headed by the Chief Compliance Officer (CCO), who reports directly to the Management Board and the Audit Committee of the Supervisory Board and is integrated into the overall compliance function through a reporting line to the Group Chief Ethics and Compliance Officer. The CCO is responsible for implementing and evolving the compliance management system throughout the Group. The Officer is supported by a Group-wide compliance officer system that consists of Regional Compliance Officers, Area Compliance Officers and Local Compliance Officers network of compliance professionals around the world. They ensure that the compliance management system is applied correctly in their respective areas of responsibility. A central Compliance Office coordinates all compliance activities throughout the Group and advises employees on key issues.

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3.3 Principles of the remuneration system.

The information contained in this section forms an integral part of the Group Management Report. Therefore, the Notes to the Group financial statements include no additional presentation of details discussed as part of this section.

The following section outlines the key principles applied when determining remuneration levels for the Management Board (Vorstand) of Diebold Nixdorf AG. It also describes the structure and level of compensation for the Management Board. Additionally, the report presents the principles and scope of Supervisory Board compensation. On May 17, 2018, the Annual General Meeting of Diebold Nixdorf AG decided in accordance with Sections 286 (5), 314 (3) HGB (German Commercial Code) that individualized disclosures on the remuneration of the members of the Management Board in the annual and consolidated financial statements for the fiscal years 2018 to 2022 will be omitted. Accordingly, during the period of validity of this resolution, the remuneration of Diebold Nixdorf AG for the Management Board will not be disclosed individually in the remuneration report and in tabular form using the sample tables attached to the German Codex of Corporate Governance.

This section includes information which, in accordance with the requirements of German commercial law, amended by the Act on the Disclosure of Management Board Compensation (Gesetz über die Offenlegung der Vorstandsvergütungen – VorstOG) of August 3, 2005, forms an integral part of the Notes to the Group financial statements pursuant to Section 314 of the German Commercial Code (Handelsgesetzbuch – HGB) and the Group Management Report pursuant to Section 315 HGB in conjunction with Section 315e HGB.

System of compensation for the Management Board.

The Supervisory Board of Diebold Nixdorf AG, acting on the recommendations of its Personnel Committee, which deals with the employment contracts of members of the Management Board and in consultation with the Board of Directors and Compensation Committee of the parent company, Diebold Nixdorf, Incorporated (hereinafter referred to as Diebold Nixdorf, Inc.), determines the overall level of compensation for each member of the Management Board. Additionally, it regularly reviews and makes decisions relating to the compensation system for the Management Board, as well as the appropriateness of the total compensation payable to each member of the Management Board, including all significant elements within the contract. The requirements of the Act on the Appropriateness of Management Board Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) dated July 31, 2009, have been met in respect of existing employment contracts and with regard to the extension of employment contracts for members of the Management Board.

The compensation of members of the Management Board of Diebold Nixdorf AG is determined on the basis of the Company's size and global operations, its economic and financial situation, and the level and structure of management board compensation offered by similar companies based in Germany and abroad. Due to the DPLTA with Diebold Nixdorf KGaA that has been in effect since February 2017, it also takes into account the established compensation system of

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Diebold Nixdorf, Inc. In addition, the duties, contribution and performance of each member of the Board of Directors for the Diebold Nixdorf, Inc. Group are taken into account. The level of compensation is designed to be competitive within the market for highly qualified executives and to provide incentives for successful work that contributes in turn to the organization's sustained development as part of a high-performance culture. Diebold Nixdorf AG regularly takes part in remuneration reviews relating to both its own industry and MDAX-listed enterprises as well as the established peer group companies for Diebold Nixdorf, Inc. following domination, with the express purpose of ensuring horizontal comparability of Management Board compensation. Furthermore, when determining compensation levels for the Management Board, the pay scale and remuneration system within the Diebold Nixdorf, Inc. Group are taken into account (verticality).

By way of derogation from these regulations, divergent provisions applied and continue to apply for the following members of the Management Board, none of whom receive compensation from Diebold Nixdorf AG as described in this report:

- Keith A. Twiggs: Chief Financial Officer since November 21, 2018
- Christopher A. Chapman: Chief Financial Officer until November 20, 2018

These members of the Management Board have/had employment contracts with Diebold Nixdorf AG but do/did not receive compensation under those agreements. Compensation with respect to the duties performed by them is covered by Diebold Nixdorf, Inc. Additionally, the aforementioned members of the Management Board are not included in the retirement benefit scheme of Diebold Nixdorf AG.

The remuneration of the Management Board is focused on performance and comprises the four components described below:

1. Fixed basic salary plus fringe benefits
2. Variable compensation (bonus) dependent on the attainment of specific targets (short-term performance-based component)
3. Share-based compensation (long-term incentive component)
4. Pension commitment

Within this context, the fixed basic salary, the fringe benefits and the pension commitment represent non-performance-based components. The fixed basic salary is payable in monthly installments of equal amounts. The fringe benefits mainly comprise contributions made to accident and liability insurance policies as well as the provision of a company car. Additionally, all members of the Management Board of Diebold Nixdorf AG, with the exception of the aforementioned active and former Board members, are entitled to retirement benefits, as described in detail in the section entitled Pension Commitments.

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Variable, performance-based compensation payable in the form of a bonus is dependent on the attainment of specific targets; since April 1, 2017, effective from January 1, 2017, these targets have been defined in relation to Diebold Nixdorf, Inc. and individual performance, mainly related to Operating Income before one time effects ("Non-GAAP OP"), Free Cash Flow of the Diebold Nixdorf, Inc.-Group as well as individual goals and are provided to each member of the Management Board in writing.

Members of the Management Board receive share-based compensation instruments and share options as a form of compensation with a long-term incentive effect. For each member of the Management Board, the share-based compensation as a long-term incentive component lies between 30% and 50% of target annual income. The remainder is derived from the member's fixed annual salary and pension commitment (25%-40%) and from variable compensation (25%-30%) (bonus). Full details are established by the Supervisory Board of Diebold Nixdorf AG in consultation with the Board of Directors and Compensation Committee of Diebold Nixdorf, Inc.

In addition, the members of the Management Board participate in the "Diebold Nixdorf, Incorporated Amended and Restated 1991 Equity and Performance Incentive Plan" (hereinafter referred to as "LTI Plan 1991") and, from 2018 onward, in the "2017 Equity and Performance Incentive Plan." As part of the LTI Plan 1991, the members of the Management Board were granted performance-based shares, restricted stock units, and stock options as a long-term incentive component of compensation.

Performance-based cash incentive awards (in the following "DN Performance Awards")

On April 25, 2017, in order to align incentive compensation, the Compensation Committee of the Board of Directors of Diebold Nixdorf, Inc. approved a one-time offer to the Management Board of Diebold Nixdorf AG as well as certain employees to replace Management Board members' and employees' outstanding Diebold Nixdorf AG share options with performance-based cash incentive awards (DN Performance Awards). The grant of the DN Performance Awards was contingent on the employee's agreement to cancel the outstanding share options. The Diebold Nixdorf AG options subject to the above offer were those vesting in March of 2018, 2019, and 2020 respectively. Each tranche of share options had a different vest date and a different "in the money" value, and so each tranche was replaced with a DN Performance Award that had the same measurement date (of 2018, 2019, or 2020, for example). In addition, each award is structured to approximate the original "in-the money" value of the cancelled share options at target, the option "under water" line at threshold, and a maximum at approximately 155% of the Diebold Nixdorf, Inc. stock price. The DN Performance Awards were based on a Diebold Nixdorf, Inc. stock price of \$26.18.

In the event of a declining Diebold Nixdorf, Inc. share price, payouts only occur down to a specific threshold. Diebold Nixdorf, Inc. average share price was determined individually for each plan based on the value of the "under water" options; if the share price falls below this threshold level in the respective exercise period, no payment is made. The relevant share price is determined on the basis of the average closing prices of Diebold Nixdorf, Inc. shares on the New York Stock

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Exchange (NYSE) within 20 exchange trading days up to and including the final trading day of the respective exercise period.

Performance-based shares (hereinafter referred to as “PSUs”)

Performance-based shares are granted on the basis of a three-year performance period; they provide value based on the three-year Total Shareholder Return Ranking (“TSR Ranking”) of the S&P 400 Midcap Index companies vs. Diebold Nixdorf, Inc. The number of shares vested at the end of the performance period can lie within a range of 0% and 200% of the target, based on the relative TSR Ranking in respect of the two target categories.

Restricted Stock Units (hereinafter referred to as “RSUs”)

The purpose of these awards is to ensure retention of the executives' services for a specified period of time and to enhance their incentive for meeting objectives defined by Diebold Nixdorf, Inc. RSUs vest ratably over a three-year period on the anniversary of the date of grant. The period during which RSUs are allocated covers three years in total. After each year, one-third (1/3) of the allocated RSUs shall vest and become non-forfeitable, and the corresponding volume of shares is credited to the securities deposit account of the member of the Management Board. In those years in which the RSUs have not yet become non-forfeitable, the member of the Management Board shall receive dividend equivalent payments as determined in the same manner as shareholders of Diebold Nixdorf, Inc. The non-forfeitable allocation of RSUs is linked solely to the retention of the Board member's services for the Company, subject to certain holding restrictions. The value of each RSU at the date of allocation was determined according to the Diebold Nixdorf, Inc. shares as an unweighted average over a period of 20 exchange trading days immediately prior to the grant date.

Stock Options

Stock options provide value based solely on stock price appreciation. Grants of stock options have a ten-year term and vest ratably over a three-year period. The exercise price is based on the closing price of common shares on the grant date and is valued using the Black-Scholes stock option valuation method.

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Pension commitments.

The retirement benefit system in place for the respective members of the Management Board is based on a one-time payout or installment payments. They are entitled to the pension payments when reaching the age of sixty. However, should a member remain on the Management Board in an active capacity beyond this period, the receipt of retirement benefits will only be possible as from the end of his/her employment contract as a member of the Management Board.

The respective allocations to retirement capital will occur in the same amount in subsequent years until the end of the respective contracts for the members of the Management Board and will bear interest of 3.5% per annum.

Other information as well as provisions applicable in the event of termination of Board members' contracts.

There were no loan arrangements with members of the Management Board in 2018 or the short 2017 fiscal year. Furthermore, no benefits of a similar nature were granted.

The provisions in place with regard to the early termination of contracts with members of the Management Board differ in some points. The contracts of the members of the Management Board include a reference to the provisions of Section 4.2.3 (4) of the GCGC and stipulate a settlement payment as outlined in the Code.

In case of incapacity for work caused by illness or by any other reason for which the member of the Management Board is not responsible, the member of the Management Board shall continue to receive fixed remuneration for a period of up to 18 months as of the beginning of the incapacity for work, such term expiring in any event leaving the Company. Bonuses shall be paid for a period of six months as of the beginning of illness or unavailability, as far as the targets have been achieved. After the expiry of a period of 18 months as of the beginning of incapacity for work, the Company may terminate the contract with the member of the Management Board as at the end of each calendar month, which shall coincide with the early payout of disability benefits in respect of obligations under defined contribution plans of Diebold Nixdorf AG.

Members of the Management Board receive no compensation for positions held within Group entities. Members of the Management Board are subject to the non-compete obligation provided in Section 88 of the German Stock Corporation Act (Aktiengesetz – AktG). The contracts for the Management Board do not contain any provisions concerning the termination of the contract in the event of a change of control.

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Remuneration of former members of the Management Board.

In 2018, the total emoluments received by former members of the Management Board and their surviving dependents amounted to €277k in total (short 2017: €32k). Provisions in the amount of €7,102k (short 2017: €4,783k) have been recognized in connection with pension obligations towards former members of the Management Board and their surviving dependents.

System of compensation for the Supervisory Board.

Supervisory Board compensation is determined on the basis of the size of the enterprise, the duties and responsibilities of Supervisory Board members and the economic situation of the Company. The provisions relating to Supervisory Board compensation are specified in Section 12 of the Articles of Association of Diebold Nixdorf AG, which was most recently amended on the basis of a resolution passed by the Annual General Meeting of Shareholders on January 29, 2007, and came into force upon entry in the Commercial Register on March 14, 2007. According to these provisions, the members of the Supervisory Board receive a fixed amount of €30k as annual compensation, payable after the end of the fiscal year. In the case of the Chairperson of the Supervisory Board, compensation is equivalent to three times the annual amount, and in the case of his/her deputy, one and a half times the annual amount mentioned above. The Chairperson of the Audit Committee also receives one and a half times the annual amount of compensation. Members of the Supervisory Board whose appointment to the board or to one of the above-mentioned functions is limited to part of the fiscal year shall receive proportionate compensation for each month commenced. In addition to annual compensation, the members of the Supervisory Board receive an attendance allowance of €3k per day for meetings of the Supervisory Board and of the committees to which they are appointed. If a meeting of the Supervisory Board attended by the member coincides with a meeting of one of the Supervisory Board's committees, the attendance allowance is paid for only one such meeting.

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The remuneration of individual members of the Supervisory Board of Diebold Nixdorf AG is shown in the following table:

€

	Annual compensation		Attendance allowances		Total	
	2018	Oct. 1 - Dec. 31, 2017	2018	Oct. 1 - Dec. 31, 2017	2018	Oct. 1 - Dec. 31, 2017
Dr. Alexander Dibelius (Chairman)	90.000,00	22.500,00	18.000,00	3.000,00	108.000,00	25.500,00
Michael Schild* (Deputy Chairman)	45.000,00	11.250,00	21.000,00	3.000,00	66.000,00	14.250,00
Dr. Valerie Barth (since January 25, 2016)	30.000,00	7.500,00	18.000,00	3.000,00	48.000,00	10.500,00
Elin Dera* (since January 25, 2016)	30.000,00	7.500,00	21.000,00	3.000,00	51.000,00	10.500,00
Dr. Dieter Düsedau (since October 1, 2016 Chairman of the Audit Committee)	45.000,00	11.250,00	21.000,00	3.000,00	66.000,00	14.250,00
Wolfgang Künkler (since July 1, 2018)	15.000,00	0,00	6.000,00	0,00	21.000,00	0,00
James Lambo (since May 17, 2018)	0,00	0,00	0,00	0,00	0,00	0,00
Jonathan B. Leiken (since February 20, 2018)	0,00	0,00	0,00	0,00	0,00	0,00
Andreas W. Mattes (until February 12, 2018)	0,00	0,00	0,00	0,00	0,00	0,00
Stefan E. Merz (until May 17, 2018)	0,00	0,00	0,00	0,00	0,00	0,00
Elizabeth C. Radigan	0,00	0,00	0,00	0,00	0,00	0,00
Edmund Schaefer* (until June 30, 2018)	15.000,00	7.500,00	12.000,00	3.000,00	27.000,00	10.500,00
Reinhard Steinrücke*	30.000,00	7.500,00	18.000,00	3.000,00	48.000,00	10.500,00
Daniela Ueberschär*	30.000,00	7.500,00	18.000,00	3.000,00	48.000,00	10.500,00
Carmelo Zanghi*	30.000,00	7.500,00	18.000,00	3.000,00	48.000,00	10.500,00
Total	360.000,00	90.000,00	171.000,00	27.000,00	531.000,00	117.000,00

* Employee representative

The Supervisory Board members James Lambo, Jonathan B. Leiken, Elizabeth C. Radigan, Andreas W. Mattes and Stefan E. Merz did not receive any compensation in respect of their roles as members of the Supervisory Board, as these duties are covered by current employment contracts with Diebold Nixdorf, Inc.

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3.4 Disclosures required under takeover law.

Disclosures relating to capital, voting rights, and appointment of members of the Management Board.

As the parent company of the Diebold Nixdorf AG Group, Diebold Nixdorf AG utilizes an organized market as defined by Section 2 (7) WpÜG (German Securities Acquisition and Takeover Act) through the Company's issued shares with voting rights and, therefore, reports pursuant to Section 315a HGB (German Commercial Code).

As of December 31, 2018, the share capital of Diebold Nixdorf AG is €33,084,988.00, divided into 33,084,988 no-par-value shares ("Stückaktien" governed by German law).

Each share is furnished with the same rights and has one vote at the General Meeting. The Management Board is not aware of any restrictions to the voting rights of individual shares. The Company's employee share ownership plans include time-related restrictions for a small number of shares, e.g., in the case of vesting/lock-up periods.

On September 26, 2016, the DPLTA was concluded between Diebold Nixdorf AG and Diebold Nixdorf KGaA as the controlling entity, following approval by the Annual General Meeting of Diebold Nixdorf AG; the aforementioned agreement came into effect on February 14, 2017, upon entry in the Commercial Register of Diebold Nixdorf AG. The Company is not aware of any other direct or indirect equity interests that exceed 10% of the voting rights.

In connection with the DPLTA, Diebold Nixdorf KGaA has guaranteed that minority interests shall receive recurring compensation of €3.13 (gross) – less possible deductions for corporation tax and solidarity surcharge according to the tax rate applicable in respect of these taxes for the financial year in question – for each Diebold Nixdorf AG ordinary share; this compensation shall fall due for payment on the first banking day subsequent to the AGM for the respective financial year ended. As Diebold Nixdorf AG has adopted a short financial year for the period October 1 until December 31, 2017 in the calendar year 2017 to be synchronized with the fiscal year of the ultimate parent company, Diebold Nixdorf, Inc., under the terms of the agreement the amount of compensation for the short financial year was reduced pro rata temporis to 25% of the aforementioned gross amount. Additionally, each minority interest shall have the right to request a cash settlement of €55.02 from Diebold Nixdorf KGaA for each Diebold Nixdorf AG ordinary share transferred.

At the Extraordinary General Meeting on March 14, 2019, the shareholders of Diebold Nixdorf Aktiengesellschaft in Paderborn passed the following resolution:

The shares of the remaining shareholders of Diebold Nixdorf AG (minority shareholders) are, in accordance with §§ 78, 62 para. 5 of the German Transformation Act in conjunction with §§ 327 a ff. Aktiengesetz (merger-related squeeze-out), granted by Diebold Nixdorf Holding Germany Inc. & Co. KGaA, which has its registered office in Paderborn (principal shareholder), is to be transferred to the principal shareholder in the amount of €54.80 per no-par-value bearer share in Diebold Nixdorf AG.

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The shares do not confer any special rights with controlling powers. Furthermore, there is no control over voting rights in those cases in which employees hold a share in equity.

Rules for the appointment and removal of members of the Management Board are laid out in Sections 84 and 85 AktG (German Stock Corporation Act), which stipulate that members of the Management Board shall be appointed by the Supervisory Board for a maximum period of five years. After each period of office, members may be reappointed or their period of office extended for a further maximum period of five years in each case. According to Section 5 of the Articles of Association, the number of members of the Management Board is determined by the Supervisory Board; the Management Board must consist of at least two members.

The Articles of Association may only be amended by the General Meeting (Section 179 (1) Sentence 1 AktG). Pursuant to Section 13 of the Articles of Association, the Supervisory Board may only amend and decide on the wording of the Articles of Association. In accordance with Section 18 (1) of the Articles of Association, resolutions of the General Meeting may be passed by a simple majority of the votes cast in the absence of a mandatory provision of the law stipulating otherwise. In cases where the law requires a majority of the share capital represented at the time of voting, a simple majority of the share capital represented will suffice in the absence of a mandatory provision of the law stipulating otherwise.

Authorization of the Management Board to buy back shares in the Company.

In the period from January 26, 2016, up to and including January 25, 2021, the Company is authorized to purchase the Company's own shares, also known as treasury shares, with the consent of the Supervisory Board, up to a total of 10% of the current share capital at the time of the resolution or – if this value is lower – at the time of the exercising of this authorization. In doing so, the shares acquired due to this authorization together with other shares of the Company that it has already acquired and still possesses or are assigned to it pursuant to Sections 71d, 71e AktG (German Stock Corporation Act) may not exceed 10% of the respective share capital at any time. The authorization can be exercised for any legally permissible purpose; however, the Company may not trade in its own shares. The Company may purchase the shares on the stock exchange or by means of a public offering extended to all shareholders. The shares may also be acquired by the Company's dependent companies within the meaning of Section 17 AktG (German Stock Corporation Act) or companies in which the Company is the majority shareholder within the meaning of Section 16 (1) AktG (German Stock Corporation Act) or, for its or their account, by third parties. In the event of acquisition via the stock exchange, the consideration paid by the Company for the acquisition of each share (without expenses incidental to the acquisition) shall not exceed or be below the share price by more than 10%. The applicable share price within the meaning of the foregoing provision in case of acquisition on the stock exchange shall be the price determined on the day of the trade in the opening auction of a share of the Company of the same class with the same rights in XETRA trading (or a system replacing XETRA) on the Frankfurt Stock Exchange.

As regards treasury shares held within the Diebold Nixdorf AG Group as of December 31, 2018, please refer to the notes to the separate financial statements prepared by Diebold Nixdorf AG in accordance with the German Commercial Code (Handelsgesetzbuch – HGB).

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The Management Board is authorized to use the shares for all legally permissible purposes, in particular to sell them through the stock exchange or by making a public offering to all shareholders. The shareholders have no subscription right in the event of a sale through the stock exchange. In the event of a sale by means of public offering, the Management Board is authorized, with the consent of the Supervisory Board, to exclude subscription rights for the shareholders for fractional amounts. The Management Board is further authorized, with the consent of the Supervisory Board, to effect a sale of the Company's acquired own shares in a manner other than through the stock exchange or by making a public offering to all shareholders, provided the acquired own shares are sold for cash at a price not substantially lower than the stock market price for Company shares of the same class with the same rights on the date of such sale. However, this authorization shall only apply under the condition that the shares sold in this manner may not exceed an aggregate of 10% of the Company's share capital at the time of such resolution or – if this is lower – at the time of the exercising of this authorization. In calculating this 10% limit, all shares issued after this authorization from authorized capital excluding subscription rights in accordance with Section 186 (3) Sentence 4 AktG (German Stock Corporation Act) and options or conversion rights for Company shares granted after this authorization if the grant excludes subscription rights in accordance with Section 186 (3) Sentence 4 AktG shall be taken into account.

The shares can also be purchased using put or call options or forward purchase agreements (jointly: "derivatives"). The Company is authorized to sell options to third parties, which obligates the Company to purchase shares of the Company upon exercising the option (put option), to purchase options that give the Company the right to purchase shares of the Company upon exercising the option (call option) and to purchase shares of the Company using a combination of put and call options. These respective option conditions must ensure that the Company is only provided with shares that it has purchased while upholding the principle of equality in treatment (Section 53a AktG). All purchases of shares using derivatives are restricted to a maximum of 5% of the existing share capital at the time of the resolution of the General Meeting regarding this authorization or – if this is lower – at the time of exercising this authorization. The terms of the derivatives must end, at the latest, on January 24, 2021. Within this context, the term of an individual derivative may in each case not exceed 18 months. The option premiums paid by the Company for call options and received by the Company for put options may not be significantly higher or lower than the theoretical market value determined by recognized financial mathematical methods of the respective options; the agreed-upon exercise price is to be taken into consideration as part of the aforementioned calculation. The purchase price per share of the Company to be paid upon exercising the option and/or to be paid at the due date of the forward purchase agreements may not exceed the average price of the Company's shares of the same class with the same rights in the closing auction of XETRA trading (or a system replacing XETRA) on the Frankfurt Stock Exchange over the last three trading days prior to the day of the conclusion of the relevant option and/or forward purchase agreement by more than 10%, or fall short of this by more than 20% (respectively without ancillary purchase costs, but taking the option premium received and/or paid into account). The option transactions must be concluded respectively with an independent bank or independent financial institution at conditions close to the market.

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Shareholders' subscription rights with respect to the Company's treasury shares shall be excluded in the following cases:

- Where the Company uses its treasury shares under the terms of a business combination or the (direct or indirect) acquisition of equity holdings with the consent of the Supervisory Board.
- Where the treasury shares are used to fulfill obligations in relation to stock options under the Company's stock option programs.
- Where the treasury shares are used to fulfill conversion rights or obligations in relation to participatory certificates with warrants and/or convertible participatory certificates and/or convertible bonds and/or bonds with warrants and/or income bonds issued by the Company or by the Company's dependent Group companies with the consent of the Supervisory Board.

Authorizations of the Management Board to issue shares.

1. Authorized Capital 2014 pursuant to Section 4 (5) of the Articles of Association:

The Management Board had been authorized under certain conditions to increase share capital, with the Supervisory Board's approval, by up to €16,542,494.00 (in words: sixteen million five hundred and forty-two thousand four hundred and ninety-four euros) (Authorized Capital 2014) through the issue, for cash and/or non-cash contributions, of new bearer shares under single or multiple initiatives up to January 19, 2019. This authorization was not exercised.

2. Contingent Capital I 2014 pursuant to Section 4 (7) of the Articles of Association:

The share capital is conditionally increased by up to €1,654,249.00 (in words: one million six hundred and fifty-four thousand two hundred and forty-nine euros), divided into up to 1,654,249 bearer shares (Contingent Capital I 2014). This contingent capital increase is to be used exclusively to cover stock options issued to members of the Company's Management Board, board members of subordinate associated companies within and outside of Germany, and to other executives and employees of the Company and its subordinate associated companies as detailed in the provisions of the authorization resolved by the AGM on January 20, 2014, and as detailed in the provisions of the authorization resolved by the AGM of January 20, 2014, in the version amended on the basis of the resolution passed by the AGM of January 25, 2016. It shall only be implemented to the extent that holders of share options exercise their right to subscribe shares in the Company and the Company does not provide the consideration in cash or with its own shares. The new shares shall carry dividend rights from the beginning of the fiscal year in which they are issued. If they are issued before the ordinary AGM, the new shares shall be entitled to dividends for the previous fiscal year as well.

Significant agreements in the event of a takeover offer.

Diebold Nixdorf AG has not entered into any significant agreements that are contingent on a change of control of the Company following a takeover offer.

There are currently no agreements between Diebold Nixdorf AG and members of the Management Board or employees for the payment of compensation in the event of a takeover offer.

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4 Report on opportunities and risks.

Diebold Nixdorf regularly finds itself confronted by opportunities and risks that can have both a positive and a negative impact on the Group's assets, profits, and cash flow, as well as on intangibles such as its reputation; these opportunities and risks are inextricably linked with the Group's commercial activities.

In this report on opportunities and risks, we will outline the fundamental elements of the risk management system operated by Diebold Nixdorf AG, discuss the key opportunities and risks faced by the Group and present Diebold Nixdorf AG's profile of opportunities and risks.

4.1 Risk management system.

We define risks as possible future developments or events that may result in an adverse variance from our forecasts. Alongside risks, we also look in equal measure at possible opportunities. In general, opportunities can be defined as potential future developments or events that may have a positive impact on the Group's future performance and forecast if used in the right manner.

We interpret risk management as the ongoing challenge of identifying, analyzing and evaluating the entire range of potential and actual developments so that we can control our response wherever possible. Risk management is an integral part of the management system adopted by Diebold Nixdorf AG. The aim is to identify at an early stage any risks that might jeopardize the Company's targeted growth and/or its existence as a going concern and thus mitigate their impact. These activities are by no means restricted to risks; they are also applied in equal measure to opportunities. To this end, we have clearly defined the management and corporate structure of Diebold Nixdorf AG and separated certain functions in order to preserve the integrity of individual Group functions.

We follow the globally acknowledged Committee of Sponsoring Organizations of the Treadway Commission ("COSO") conceptual framework as regards the process of determining our opportunities and risks on a regular basis. Applying a classification system that includes four categories (Strategic, Operational, Financial, and Legal), all potential deviations from targets are assigned on the basis of gross exposure notifications. In this case, the opportunity (risk), measured on the basis of possible cash inflow (cash outflow) within the coming fiscal year, is defined as the product of the estimated positive (negative) effect on EBITA upon occurrence of the event and the estimated probability of occurrence.

Our risk management system is structured in such a way that opportunities and risks are monitored and evaluated – based on approved annual budgets – at a decentralized level. This means that risk management takes place both in our legally independent units and at Group level, with operating units enjoying a high degree of autonomy so that they can react flexibly to opportunities as they arise. To be more precise, the ongoing tasks of identification, evaluation, implementation of measures, and controlling occur directly within the respective operational units. Target EBITA serves as the basis for determining opportunities and risks.

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Reporting processes that relate to specific parameter thresholds and the actual extent of risk are used to coordinate the activities of the relevant Group functions. A deal review process (“DRP”), which also involves members of the Management Board, has been established to discuss key projects, agree on appropriate measures, and assess and manage projects with due regard for the risk strategy. Our centralized risk management department is responsible for controlling this risk management process and defining our risk standards and risk control tools. By embedding risk management within overall Group Controlling, we can ensure that it is treated as an integral component of business management rather than as a one-time assessment of fundamental risks, e.g., relating to the approval of specific projects. In this context, we compile an annual report on opportunities and risks, in addition to considering opportunities and risks relating to the Group and individual business units as part of monthly, quarterly and annual assessment meetings. Furthermore, we have established a risk reporting process whereby the central risk management team is notified directly of any significant opportunities/risks that have newly emerged or of any dramatic changes to the opportunity/risk situation.

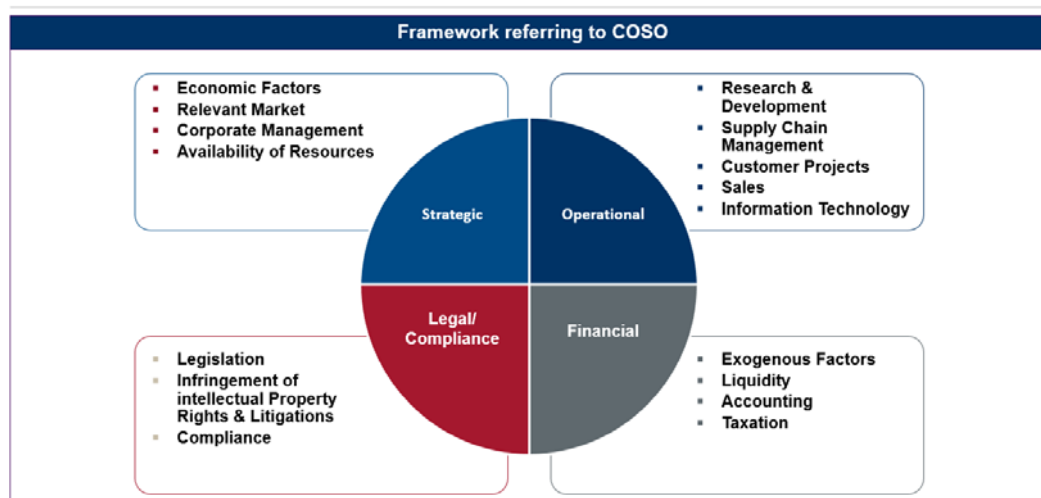
The main elements of the risk management system have also been documented in our management handbook and in Group directives.

As an international enterprise with a diversified product portfolio, Diebold Nixdorf AG is exposed continuously to a number of developments and events that may have a material influence on its business performance.

Diebold Nixdorf AG applies the following categorization for the purpose of determining opportunities and risks:

Risk Management System of Diebold Nixdorf AG

Categories for Opportunities & Risks



Strategic influencing factors encompass macroeconomic influences such as economic trends in the respective sales markets, but also the impact of natural disasters or terrorist attacks.

This category also includes influences centered around the factors of competition, innovation, and market growth relating to the market that is of relevance in particular to Diebold Nixdorf AG.

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Specifically, it should be noted that the entry into force of the DPLTA, which allows Diebold Nixdorf, Inc., to pursue the further integration of Diebold Nixdorf AG in accordance with statutory provisions set out in German legislation, may lead to potential deviations from original targets. Subsidiaries of Diebold Nixdorf AG and Diebold Nixdorf, Inc. were being merged in selected countries, as a result of which the Group structure of Diebold Nixdorf AG as well as the number of entities to be included in consolidation will change. In addition, it is planned that the Diebold Nixdorf, Inc. Group should divest approximately 5-10% of its net sales volume, which applies analogously for the Diebold Nixdorf AG Group. These activities may result in both opportunities and risks.

Additionally, both positive and negative effects may occur as a result of management activities that are not aligned with corporate planning. Application of the internal control system and execution or implementation of special projects are two aspects to be cited in this context. For example, this category also includes influences from the group-wide transformation program DN Now which was initiated by Diebold Nixdorf, Inc. Additionally, the general availability of resources such as highly qualified managers and skilled workers as well as access to essential IT structures are of particular relevance to the Group in strategic terms.

The category comprising **operational opportunities and risks** assesses aspects that relate directly to the Group's operating activities. For example, in the area of R&D this might include incorporating customer needs at an early stage of the process for the purpose of offering a portfolio of products and services tailored to market requirements or the timely provision of a product featuring the expected functionality and quality.

Opportunities/risks relating to our supply chain may occur as a result of disruptions or impairments in procurement and production, but also with regard to channels of distribution for hardware and software. At the same time, changing commodity and energy prices may have an impact on earnings generated by Diebold Nixdorf AG. In the area of hardware production we consider optimal capacity utilization of our plants as well as expenses associated with the relocation of manufacturing to be critical factors influencing our bottom-line results. Risks relating to transportation and channels of distribution may occur in the form of delayed deliveries and damages in transit, with associated financial repercussions.

This category also includes the assessment of sales-specific opportunities/risks, such as changing profit margins due to the prevailing level of concentration in the competitive environment. Other operational opportunities/risks might arise from delayed schedules when it comes to implementing specific projects or from non-budgeted expenses for the operation and maintenance of customer systems.

For Diebold Nixdorf AG, as an established supplier of IT solutions for banks and retail companies, exposure to risks associated with data handling in the areas of Outsourcing and Store Lifecycle Management is an issue of increasing significance. Insufficient availability of IT systems, with concomitant claims for compensation by our business partners on the one hand, but also better-than-expected performance on the other hand, may have financial consequences.

Diebold Nixdorf AG's business is also influenced by **financial risks**. They mainly include currency, liquidity, and credit risks, as well as risks associated with interest rate changes. For the

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purpose of limiting these risks, Diebold Nixdorf AG manages Group financing centrally to a large extent and finances itself within the Diebold Nixdorf, Inc. Group.

The risk of a change in interest rates arises from taking up credit tied to the market rate. Interest expenses are mainly linked to the short-term variable market interest rate (EURIBOR) plus a margin. This margin can be subject to change depending on certain financial ratios. Being tied to a market interest rate, therefore, means that we are exposed to an interest rate risk as soon as that rate increases. In order to counteract this risk, we have concluded interest rate swap contracts.

The global nature of the Group generates payments in both directions in a range of currencies. Incoming and outgoing payments in individual currencies are netted off against each other. Thus, by selecting suitable suppliers and making appropriate location-related decisions, we actively seek to create a natural hedging effect to the greatest extent possible. The netted-off amounts represent our remaining exchange rate risk, which is then hedged up to 100% (depending on volume and currency) on a rolling 12-month basis by means of suitable financial instruments.

We reduce credit default 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. Diebold Nixdorf AG uses letters of credit to secure receivables from countries classified as presenting a credit risk.

Refinancing of Diebold Nixdorf AG Group entities is primarily conducted at a central level; this poses the risk of insufficient cash reserves for the on-time settlement of financial obligations. Diebold Nixdorf AG addresses this risk by monitoring its cash flow as well as by maintaining reserves in the form of unused credit lines within the Diebold Nixdorf, Inc. Group.

A long-term loan commitment has been made by Diebold Nixdorf, Inc., which provides Diebold Nixdorf AG with sufficient room for maneuver with regard to financing. Diebold Nixdorf AG is therefore exposed to the liquidity risk of Diebold Nixdorf, Inc. From a third-party perspective, therefore, Diebold Nixdorf AG has the same credit rating as Diebold Nixdorf, Inc. The ultimate parent company of Diebold Nixdorf AG, Diebold Nixdorf, Inc. announced in its half year report 2018 on August 1, 2018, that it is currently fulfilling all of its financial lending obligations, but nonetheless holding talks with its principal lenders regarding the existing loan arrangements to revise due to the adjusted forecast 2018. On August 30, 2018, Diebold Nixdorf, Inc. announced the receipt of a new loan and adjustments to the existing loan agreement, resulting in increased financial flexibility. The additional capital received through this financing will be used to acquire the remaining shares of Diebold Nixdorf AG, as well as to settle existing obligations and to continue business programs, including the DN Now transformation program. Since Diebold Nixdorf AG is directly dependent on Diebold Nixdorf, Inc., changes in loan agreements can lead to opportunities as well as risks.

For further details of financial instruments within the Group, please refer to section 22 in the notes to the consolidated financial statements.

Diebold Nixdorf AG is exposed to a range of opportunities and risks in the **legal environment**. These might occur in connection with disputes possibly arising in the future in respect of legal issues or property rights. Legal disputes may arise in the ordinary course of business, for instance,

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with regard to disputes relating to products supplied and services rendered, product liability, product defects, quality issues, or the infringement of property rights.

Despite far-reaching communication and training measures as well as an established system of compliance management, it is conceivable that we may be affected by compliance-related infringements (e.g., antitrust and corruption transgressions). This can have a range of legal consequences, e.g., financial penalties and fines. Alongside these threats, we see ourselves exposed to regulatory risks arising from our international business activities. At the same time, a functioning compliance system may also create opportunities when it comes to securing contracts for customer projects.

4.2 Description of the main features of the internal control and risk management system with regard to the Group accounting process (Section 315 (2), No. 5 HGB).

A key element of our strategy for minimizing and avoiding risk, especially in the areas of accounting and financial reporting, is the internal control system. Diebold Nixdorf AG's internal control system contains a series of principles, procedures and measures that are intended to ensure that the accounting process is effective, cost-efficient and in compliance with statutory regulations.

Diebold Nixdorf AG's internal guidelines on accounting and financial reporting under IFRS provide a framework of uniform accounting policies for all the domestic and international companies that make up the consolidated Group. They also include stipulations for the Group financial statements as well as detailed and formalized requirements to be applied by Group companies.

We promptly evaluate the impact of all new regulations and amendments to existing accounting rules and, where they are of relevance to us, incorporate them into the accounting process.

In addition, with regard to finances and financial reporting, integrity and responsibility are ensured by the inclusion of an obligation to that effect in the Group's internal Code of Conduct.

Diebold Nixdorf AG has established a largely uniform IT platform, a uniform system of accounts, and standardized, computer-based accounting processes. This standardization ensures that all significant transactions are recorded in a proper, timely, and uniform manner. Mandatory rules are in place for any additional manual recording of transactions. Accounting valuations, e.g., testing for the impairment of goodwill, are carried out by the Group's own specialist staff; in isolated cases, such as the measurement of pension obligations, this task is performed by external valuation experts.

In order to prepare Diebold Nixdorf AG's consolidated financial statements, the separate financial statements of those companies whose accounts are maintained using Diebold Nixdorf AG's standard IT platform are transferred to an IT consolidation system based on SAP SEM. Data for the financial statements of all other Group companies is delivered using a web-based interface. The data provided to the parent company is automatically checked by the system. The separate financial statements submitted by Group companies are subjected to further centralized checks with due regard for the reports prepared by the auditors.

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Information relevant to the consolidation process is automatically identified and obtained by the system, thus ensuring that Group internal transactions are properly and completely eliminated. All consolidation processes involved in drawing up the Group financial statements are performed and documented within the IT-based consolidation system. The components of the Group financial statements, including any significant disclosures for the Notes to the financial statements, are derived from the resulting information. At the heart of the internal control system lie a series of both process-integrated and process-independent measures. One fundamental element of the process-integrated measures is automatic, IT-based process control.

Additional control functions, including manual process controls such as the "four-eyes principle," have been established through the organizational separation of administrative, executive, billing and authorization functions. The IT systems we use for this purpose are also protected as far as possible against unauthorized access through a system of access rights and restrictions. It should be noted, however, that even the use of appropriate and properly functioning systems cannot provide absolute certainty. Other control tasks are performed by specific Group functions such as the central tax department. Both the Supervisory Board of Diebold Nixdorf AG (in particular its Audit Committee) and Internal Audit are integrated into the internal control system and are tasked with carrying out independent checks.

4.3 Compliance.

Group Internal Audit conducts regular checks on the internal control systems and business processes of both subsidiaries and centralized functions with regard to compliance, cost-effectiveness, efficiency and security. In particular, it monitors compliance with directives, organizational precautionary measures, financial indicators relating to the income statement and statement of financial position, and the structure of contracts, in addition to drawing up proposals for process optimization. As an independent body, it reports directly to the Management Board and the Supervisory Board's Audit Committee.

4.4 Presentation of significant opportunities and risks.

Opportunities and risks are accorded equal status within the risk management process and are allocated to the four principal categories outlined above. The following overview presents the Group's key opportunities and risks identified as part of the analysis. The potential positive effects on earnings as a result of opportunities and the possible negative effects on earnings attributable to risks within the next fiscal year, as determined by opportunity and risk reports, form the basis of this assessment.

Opportunities and risks are categorized according to specific expected values as marginal, low, moderate, significant, critical/substantial, and jeopardizing the entity as a going concern/prominent. The Group's opportunity and risk profile, based on an assessment scale, i.e., parameter thresholds, determined in close cooperation with the Management Board, is presented below. In keeping with the principle of materiality, we have restricted this presentation to those influencing factors that were evaluated at the very least as "moderate" at Group level.

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Significant Opportunities & Risks of the Diebold Nixdorf AG

as of December 31, 2018

Categories	COSO	Risk Evaluation						Opportunity Evaluation					
		jeopardizing	critical	significant	moderate	low	marginal	marginal	low	moderate	significant	substantial	monumental
Economic Factors	S				■	■	■	■					
Relevant Market	S				■	■	■	■					
Customer Projects	O				■	■	■	■	■				
Sales	O				■	■	■	■	■				
Supply Chain Management	O				■	■	■	■					

Level 1: S: Strategic; O: Operational; R: Legal/Compliance; F: Financial
Level 2: Identified Opportunities and Risks in the respective category

Identified Risks ■ Identified Opportunities ■

Expected Value in kEUR	
■	> 0
■	> 2.500
■	> 7.500
■	> 15.000
■	> 50.000
■	> 100.000

Economic factors. Budgeted EBITA may be impacted significantly if individual economies or global economic conditions in general develop at a level that is at variance with original projections. The reasons for such deviations can be multifaceted. They may include economic fluctuations in the sales markets of Diebold Nixdorf AG as well as unforeseeable positive or negative developments relating to political hot spots around the globe and their impact on the growth performance of the major economies. It is conceivable that these external factors, which can be controlled only to a limited extent, might cause a deviation – in either direction – from the target forecast. As regards economic performance, the risk assessed in this context is adjudged to be markedly higher in comparison with the potential opportunities.

Relevant market. Alongside economic factors, the category comprising strategic opportunities and risks also includes the aspect of changes within the markets that are of specific relevance to the Diebold Nixdorf AG portfolio. Relevant markets are defined as those sales regions in which we are active with our product portfolio for retail banks and retail companies. This portfolio consists of hardware, software, and services. The opportunities and risks to be highlighted in this category also include those associated with trends relating to automation and digitalization in specific markets. These may also have an impact on our customers' decision-making processes with regard to technology or may possibly result in delayed action due to the greater complexity of projects. Additionally, risks may occur in those cases in which entities with a similar product portfolio decide to enter a regional market or, alternatively, influence the market by applying a different verticalization strategy and such activities subsequently lead to a reduction in earnings at Diebold Nixdorf AG. By contrast, earnings may increase if competitors retreat from individual markets or if Diebold Nixdorf AG is able to strengthen its own market position in dedicated segments vis-à-vis competing entities.

Regardless of the competitive situation, high acceptance levels with regard to specific products can create market dynamics – both positive and negative – as a result of reaction to individual elements of the portfolio that is difficult to predict. Given the current situation in the relevant

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market, we are of the opinion that the associated risks are more pronounced than the opportunities identified within this area.

Supply chain management. As one of the world's leading providers of IT solutions and services, Diebold Nixdorf AG is dependent on a functioning supply chain. It is essential that we safeguard the security of supply across the entire chain of value creation, which also applies when implementing new sourcing strategies. Although our supply chain management has adopted a seamless approach from supplier through to customer, we cannot rule out entirely the possibility of an impact on earnings as a result of circumstances along the value chain within the areas of procurement, production, or sales.

As regards to procurement, we endeavor to identify and realize potential for improvement, avoid single sourcing, and minimize faults associated with sourced parts by selecting appropriate suppliers and carrying out inspections. We have reduced our vertical range of manufacture as part of measures aimed at restructuring our production operations. This generally leads to a greater level of dependence on selected suppliers. We are committed to treating our suppliers as full-fledged partners along the value chain and to establishing a relationship of trust with them. The cost savings targeted by Diebold Nixdorf AG in the area of production may have favorable add-on effects; at the same time, however, possible delays pose the risk of a much more negative effect on earnings. Deviations from planned capacity utilization levels as a result of economies of scale generated or not generated by the Company can have similar effects on earnings.

Customer projects. Our business has changed over recent years. The overall complexity of projects is becoming much more pronounced. Our Group has evolved from a hardware supplier into a provider of intricate IT solutions and services. Projects that undergo a dedicated approval process often cover a period of several years; we cannot rule out entirely the possibility of time and cost overruns within the individual subprojects. The execution of projects is safeguarded by clearly defined project structures and project management methods, as well as experienced project managers. Despite this, significant risks may occur over the course of project implementation or during operational deployment, particularly in the case of complex software projects or when assuming responsibility for the operation of complex customer IT environments. Other examples of opportunities/risks associated with customer projects include expenses in excess of or lower than those computed as part of fixed-price agreements, dependence on business partners, liability provisions, and contractual penalties.

The aforementioned risks may be attributable to several factors and necessitate an individual strategy of risk prevention. We have taken the conscious decision to assign responsibilities for risk mitigation in a decentralized manner across the Group, as this approach facilitates rapid identification, evaluation, mitigation, and control of risks.

At the same time, the execution of customer projects may also produce opportunities for the Company. Although the scope of such opportunities is considered to be less pronounced, successful project management or the ability to apply to future customer projects specific learning effects gained from completed projects can contribute substantially to above-average project results and therefore have a positive impact on target attainment.

GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018

Sales. Diebold Nixdorf AG's target markets differ in terms of their competitive situation and their concentration of competition. In the context of a given customer or competitive situation, individual and project-related decisions as to products/services and terms offered – which may also, for example, include larger than expected price erosion – can have a different effect on EBITA than originally planned. This effect may be either positive or negative. Such aspects are reflected in the – evenly matched – opportunity and risk profiles which show both opportunity and risk potential, with the latter being rated higher. EBITA attributable to any subsequent year may also be affected as a result of customer-side delays in the placement of orders or by the fact that they are effected earlier than planned.

4.5 Overall risk.

As of the reporting date, and in the foreseeable future, the Management Board is not aware of any individual risk that could pose a danger to the continued existence of the Diebold Nixdorf AG Group as a going concern. Equally, in the view of the Management Board, the sum of all opportunities and risks does not show the Diebold Nixdorf AG Group to be in any jeopardy as of the date of preparing this report.

5 Report on expected developments.

5.1 Macroeconomic and industry environment.

Anticipated macroeconomic developments.

In its update of January 2019, the IMF issued a pessimistic outlook for global economic performance in 2018 as a whole and revised downward its forecast of October 2018.

As in their previous forecast, the IMF experts continue to expect the global economy to expand by 3.7% in 2018, despite a slowdown in growth, especially in Europe and Asia.

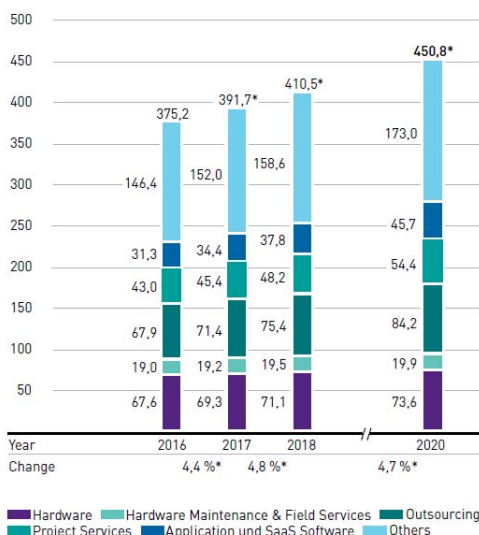
However, the IMF has lowered its outlook for the 2019 calendar year, in some cases significantly. The global economy is only expected to grow by 3.5%, compared with the originally forecast of 3.7%. While the US is still expected to see growth of 2.5%, the outlook for the eurozone was revised downward by 0.3 percentage points to just 1.6%. The main drivers for this correction were significant declines in Germany (reduction from 1.9% to 1.3%) and Italy (reduction from 1.0% to 0.6%). In China, experts continue to expect growth of 6.2%, i.e., a lower rate compared to previous years.

Industry environment. Expenditure on IT will continue to rise in banking and retail sectors.

According to an analysis by market research firm PAC, both banks and retailers have increased their capital spending on IT. Based on the data in the report, global expenditure within the banking sector is to rise by 4.8% in the course of 2017 to 2018, while retail companies are likely to increase their investments in IT systems by 4.5% year on year. In absolute terms, investment spending by banks and retailers is likely to rise to €450.8 billion and €182.6 billion respectively in the year 2020. Hardware-related business will play a marginal role when it comes to driving growth in the retail and banking industries. By contrast, business in the field of software and software-related services is likely to provide much more impetus. This is probably attributable largely to the impact of progressive digitalization and automation. Business within the area of outsourcing also holds potential for growth. In our opinion, the significant growth rates predicted in the field of banking, in particular, are due to substantial cost-related pressures and associated efforts to streamline fixed costs by outsourcing services to external business partners.

GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018

GLOBAL IT EXPENDITURE IN THE BANKING SEGMENT. € billion



* Forecast.

Source: PAC, August 2017

GLOBAL IT EXPENDITURE IN THE RETAIL SEGMENT. € billion



* Forecast.

Source: PAC, August 2017

Overall assessment of the business environment. Against the backdrop of the wider market picture set to emerge in fiscal 2019, the fundamental route taken by the Group in terms of strengthening its business in the area of software/software-related and higher-end services would appear justified. These business streams underpin digitalization of customer operations and are being fueled by growing demand. By contrast, this trend may lead to a shift in customers' focal points when it comes to investment spending in more traditional areas of business, which may ultimately coincide with lower demand in this category.

5.2 Expected business performance for the Diebold Nixdorf AG Group.

The outlook for 2019 is subject to considerable uncertainty. This is due to the DPLTA, under the terms of which the parent company may, at any time, issue instructions that could have a material impact on the business performance of the Diebold Nixdorf AG Group in 2019. Comparability with prior-year figures is possible only to a limited extent due to the amalgamation of business units.

As for 2019, we anticipate that net sales will decline marginally compared to the comparative prior-year figure for the 2018 year of €2,400 million. We anticipate that net sales will decline marginally in the Banking segment. This is unlikely to be offset in full by the slight increase in net sales in the Retail segment. EBITA (without one-time effects) is expected to be slightly higher than the comparative prior-year figure of €136 million. Against the backdrop of continued price erosion in the hardware market and the adverse effects of this trend on earnings, we anticipate that this decline can be more than offset by productivity gains and quality improvements as well as the positive effects of measures implemented in the context of the DN NOW program. 2019 is again expected to produce one-time expenses. At this point in time, however, the scale of these expenses cannot be quantified in full. Based on current projections, they are not expected to be material with a one-digit millions amount.

GROUP MANAGEMENT REPORT OF DIEBOLD NIXDORF AKTIENGESELLSCHAFT FOR YEAR ENDED DECEMBER 31, 2018

5.3 Overall assessment of future business development.

With regard to 2019, as mentioned earlier, guidance is associated with significant levels of uncertainty; in this context, we anticipate that net sales will trend slightly lower, while EBITA before one-time effects is likely to be slightly higher than in the preceding year. Due to the amalgamation of business units, comparability with prior-period financial statements is extremely difficult. One-time expenses are expected to be not material with a one-digit millions amount.

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. In particular, it should be noted that the parent company may demand the implementation of measures on the basis of the domination (*Beherrschung*, officially referred to as "control" under IAS/IFRS) and profit transfer agreement; such measures may have an impact on details and figures presented in the report on expected developments. 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.

**Diebold Nixdorf Aktiengesellschaft, Paderborn
Group Income Statement for the Period
from January 1, 2018 to December 31, 2018.**

€k

	Note	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
Net sales	▶ 1	2,399,846	567,350
Cost of sales		-1,909,241	-426,913
Gross profit	▶ 2	490,605	140,437
Research and development expenses		-87,872	-22,173
Selling, general and administration expenses	▶ 3	-305,755	-71,541
Other operating income	▶ 4	16,551	14,277
Other operating expenses	▶ 4	-34,667	-2,120
Result from equity accounted investments	▶ 10	-14,871	3,540
Net profit on operating activities		63,991	62,420
Finance income	▶ 5	4,380	1,504
Finance costs	▶ 5	-6,265	-1,419
Profit before income taxes		62,106	62,505
Income taxes	▶ 6	-27,447	-11,698
Profit for the period		34,659	50,807
Profit attributable to non-controlling interests		-2,755	504
Profit attributable to equity holders of Diebold Nixdorf AG		37,414	50,303
Shares for calculation of earnings per share (in thousands)	▶ 7	29,816	29,816
Earnings per share (€)	▶ 7	1.25	1.69

**Diebold Nixdorf Aktiengesellschaft, Paderborn
Group Statement of Comprehensive Income for the Period
from January 1, 2018 to December 31, 2018.**

€k

	Note	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
Profit for the period		34,659	50,807
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedges - effective portion of changes in fair value		-261	708
Cash flow hedges - reclassified to profit or loss		7	-1,445
Exchange rate changes - resulting in neither profit or loss		-574	19
Exchange rate changes - reclassified to profit or loss		83	-3
Items that will not be reclassified to profit or loss:			
Actuarial gains and losses		-6,329	997
Other comprehensive income (net of tax)	▶ 17	-7,074	276
Total comprehensive income		27,585	51,083
Total comprehensive income attributable to:			
Non-controlling interests		-2,275	727
Equity holders of Diebold Nixdorf AG		29,860	50,356

Diebold Nixdorf Aktiengesellschaft, Paderborn Group Balance Sheet as of December 31, 2018.

Assets

€k

	Note	Dec. 31, 2018	Dec. 31, 2017
Non-current assets			
Intangible assets	▶ 8	386,823	395,524
Property, plant and equipment	▶ 9	100,102	107,836
Investments accounted for using the equity method	▶ 10	0	13,841
Investments	▶ 10	11,059	49,196
Reworkable service parts	▶ 11	30,550	32,608
Trade receivables	▶ 12	11,967	6,310
Other assets	▶ 12	34,136	29,807
Deferred tax assets	▶ 13	32,789	27,568
		607,426	662,690
Current assets			
Inventories	▶ 14	211,075	269,281
Trade receivables	▶ 12	367,484	317,305
Receivables from affiliated companies	▶ 12	167,820	41,712
Receivables from related companies	▶ 12	10,058	17,053
Current income tax assets	▶ 12	10,551	14,066
Other assets	▶ 12	81,096	96,624
Investments	▶ 10	0	4
Cash and cash equivalents	▶ 15	130,356	120,678
Assets held for sale	▶ 16	52,571	78,934
		1,031,011	955,657
Total assets		1,638,437	1,618,347

Equity and Liabilities

€k

	Note	Dec. 31, 2018	Dec. 31, 2017
Equity			
Subscribed capital of Diebold Nixdorf AG		33,085	33,085
Retained earnings		438,809	500,433
Treasury shares		-173,712	-173,712
Other components of equity		61,659	39,488
Equity attributable to equity holders of Diebold Nixdorf AG	▶ 17	359,841	399,294
Non-controlling interests	▶ 18	29,318	34,106
		389,159	433,400
Non-current liabilities			
Accruals for pensions and similar commitments	▶ 19	80,975	59,063
Other accruals	▶ 20	18,394	25,405
Financial liabilities	▶ 21	2,138	1,150
Financial liabilities to affiliated companies	▶ 21	2,539	0
Trade payables	▶ 21	59	537
Other liabilities	▶ 21	33,652	67,169
Deferred tax liabilities	▶ 13	25,417	23,913
		163,174	177,237
Current liabilities			
Other accruals	▶ 20	125,967	136,469
Financial liabilities	▶ 21	3,653	1,558
Advances received	▶ 21	20,892	11,239
Trade payables	▶ 21	278,298	260,807
Liabilities to affiliated companies	▶ 21	23,743	27,787
Financial liabilities to affiliated companies	▶ 21	340,912	221,409
Liabilities to related companies	▶ 21	10,753	19,515
Current income tax liabilities	▶ 21	23,594	40,053
Other liabilities	▶ 21	223,657	253,518
Liabilities with regard to assets held for sale	▶ 16	34,635	35,355
		1,086,104	1,007,710
Total equity and liabilities		1,638,437	1,618,347

Diebold Nixdorf Aktiengesellschaft, Paderborn
Group Cash Flow Statement for the Period
from January 1, 2018 to December 31, 2018.¹⁾

€k

	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
Net profit on operating activities	63,991	62,420
Amortization/depreciation of property rights, licenses and property, plant and equipment and goodwill	67,444	12,897
Write-down of reworkable service parts	4,390	1,077
EBITDA	131,653	76,394
Interest received	1,540	956
Interest paid	-2,617	-283
Income taxes paid	-25,284	-9,396
Result on disposal of intangible assets and property, plant and equipment	220	882
Result from the disposal of consolidated affiliated companies	-2,192	-12,157
Change in accruals	-24,710	-30,893
Other non-cash items	59,909	-7,245
Change in working capital	-31,954	21,116
Change in other assets and other liabilities	-24,885	33,672
Cash flow from operating activities	81,680	73,046
Payments received from the disposal of property, plant and equipment	1,660	239
Payments received from the disposal of investments and other payments received	19	1
Payments received in connection from the disposal of consolidated affiliated companies less financial resources outflow	-3,836	-2,640
Payments made for investment in intangible assets	-27,603	-6,131
Payments made for investment in property, plant and equipment	-32,188	-15,215
Payments received for acquisition of consolidated affiliated companies, jointly controlled entities, and other business units, including financial resources inflow	2,896	8,994
Payments made for investment in reworkable service parts	-2,364	-2,264
Cash flow from investment activities	-61,416	-17,016
Payments received from financial loan draw-downs	1,658	125
Payments received from financial loan draw-downs from affiliated companies	-16,518	-32,181
Payments made for repayment of financial loans	-875	0
Payments made to non-controlling interests	-676	0
Other financing activities	292	-62
Cash flow from financing activities	-16,119	-32,118
Net change in cash and cash equivalents	4,145	23,912
Change in cash and cash equivalents from exchange rate movements	1,134	122
Cash and cash equivalents at beginning of period ²⁾	127,937	103,903
Cash and cash equivalents at end of period²⁾	133,216	127,937

¹⁾ For further explanations, see Note ► 28.

²⁾ Include cash and cash equivalents, cash and cash equivalent presented as assets held for sale as well as current bank liabilities.

Diebold Nixdorf Aktiengesellschaft, Paderborn
Changes in Group Equity as of December 31, 2018.¹⁾

€

	Equity attributable to equity holders of Diebold Nixdorf AG								Equity
	Subscribed capital	Retained earnings	Treasury shares	Other components of equity			Total	Non-controlling interests	
				Add. paid-in capital	Exchange rate changes	Cash flow hedges			
As of October 1, 2017	33,085	493,409	-173,712	38,796	-8,756	-521	382,301	30,715	413,016
Cash flow hedges	0	0	0	0	0	-737	-737	0	-737
Exchange rate changes	0	0	0	0	-224	0	-224	240	16
Actuarial gains and losses	0	1,014	0	0	0	0	1,014	-17	997
Other comprehensive income	0	1,014	0	0	-224	-737	53	223	276
Profit for the period	0	50,303	0	0	0	0	50,303	504	50,807
Total comprehensive income	0	51,317	0	0	-224	-737	50,356	727	51,083
Disposal of non-controlling interests without loss of control	0	0	0	0	0	0	0	-465	-465
Disposal of controlling interests with loss of control	0	0	0	7,059	0	0	7,059	3,139	10,198
Hypothetical current tax taken over by the parent company	0	0	0	3,839	0	0	3,839	0	3,839
Recognition of liabilities for taxes acc. to §16 Corporate Tax Law (KStG) on compensation payments	0	0	0	32	0	0	32	0	32
Changes in other retained earnings	0	-1,552	0	0	0	0	-1,552	-10	-1,562
Profit transfer to Diebold Nixdorf KGaA for Oct. 1, 2017 - Dec. 31, 2017	0	-42,741	0	0	0	0	-42,741	0	-42,741
Transactions with equity holders	0	-44,293	0	10,930	0	0	-33,363	2,664	-30,699
As of December 31, 2017	33,085	500,433	-173,712	49,726	-8,980	-1,258	399,294	34,106	433,400
As of January 1, 2018	33,085	500,433	-173,712	49,726	-8,980	-1,258	399,294	34,106	433,400
Cash flow hedges	0	0	0	0	0	-254	-254	0	-254
Exchange rate changes	0	0	0	0	-556	0	-556	65	-491
Actuarial gains and losses	0	-6,744	0	0	0	0	-6,744	415	-6,329
Other comprehensive income	0	-6,744	0	0	-556	-254	-7,554	480	-7,074
Profit for the period	0	37,414	0	0	0	0	37,414	-2,755	34,659
Total comprehensive income	0	30,670	0	0	-556	-254	29,860	-2,275	27,585
Decrease of controlling interests with loss of control	0	966	0	0	0	0	966	0	966
Decrease of controlling interests without loss of control	0	7,244	0	0	0	0	7,244	-1,298	5,946
Acquisition of shares with the attainment of control	0	-1,073	0	0	0	0	-1,073	0	-1,073
Hypothetical current tax taken over by the parent company	0	0	0	22,981	0	0	22,981	0	22,981
Profit transfer to Diebold Nixdorf KGaA for Jan. 1, 2018 - Dec. 31, 2018 and other changes	0	-99,431	0	0	0	0	-99,431	-1,215	-100,646
Transactions with equity holders	0	-92,294	0	22,981	0	0	-69,313	-2,513	-71,826
As of December 31, 2018	33,085	438,809	-173,712	72,707	-9,536	-1,512	359,841	29,318	389,159

¹⁾ For further explanations, see Note ► 17.

Diebold Nixdorf Aktiengesellschaft, Paderborn

Notes to the Group Financial Statements for the fiscal year from January 1, 2018 to December 31, 2018

SEGMENT REPORT IN ACCORDANCE WITH IFRS 8.

Operating Segments.¹⁾

€k

	Banking	Retail	Group
Net sales to external customers	1,418,130 (332,357)	981,716 (234,993)	2,399,846 (567,350)
Operating profit (EBITA)	45,487 (46,316)	22,675 (16,104)	68,162 (62,420)
Result from equity accounted investments	-14,871 (3,540)	0 (0)	-14,871 (3,540)
Segment assets	526,961 (505,063)	352,231 (349,095)	879,192 (854,158)
Segment liabilities	268,090 (268,696)	161,417 (183,058)	429,507 (451,754)
Investment in intangible assets and property, plant and equipment	44,088 (15,524)	15,703 (5,822)	59,791 (21,346)
Investment in reworkable service parts	1,820 (1,743)	544 (521)	2,364 (2,264)
Amortization/depreciation of property rights, licenses and property, plant and equipment	43,439 (9,535)	15,661 (3,362)	59,100 (12,897)
Write-down of reworkable service parts	3,380 (829)	1,010 (248)	4,390 (1,077)
Research and development expenses	56,736 (13,704)	31,136 (8,469)	87,872 (22,173)

Last year's figures are shown in brackets.

¹⁾ For further explanations, see Note ► 29.

Secondary Information.¹⁾

€k

	Europe	Included in Europe: Germany	Asia/ Pacific/ Africa	Americas	Group
Net sales to external customers	1,841,347 (443,794)	563,220 (144,555)	339,519 (87,927)	218,980 (35,629)	2,399,846 (567,350)
Segment assets	755,918 (749,975)	295,537 (452,827)	120,489 (104,183)	2,785 (0)	879,192 (854,158)
Non-current assets	169,817 (188,318)	152,832 (21,154)	10,991 (7,179)	1 (152)	180,809 (195,649)
Investment in intangible assets and property, plant and equipment	53,018 (19,616)	10,150 (16,676)	6,773 (1,704)	0 (26)	59,791 (21,346)
Investment in reworkable service parts	2,299 (2,260)	2,299 (2,260)	65 (4)	0 (0)	2,364 (2,264)

Last year's figures are shown in brackets.

¹⁾ For further explanations, see Note ► 29.

GENERAL INFORMATION.

Diebold Nixdorf AG Group (in the following “Diebold Nixdorf AG”, the “Company” or the “Group”) is one of the world’s leading providers of IT solutions to banks and retailers. The extensive portfolio is aimed at optimizing business processes within bank branches and retail outlets. This is essentially about reducing complexity and cost, and improving service to the end customer.

The Banking segment’s proposition includes hardware, software, IT services, and consulting services. Automated teller machines (ATMs), cash recycling systems, automated teller safes and transaction terminals are key elements of the hardware portfolio. Besides software for the operating systems banks may benefit from software by means of which they are able to manage processes throughout all distribution channels.

Through the Retail segment, Diebold Nixdorf AG also provides hardware, software, IT services, and consulting services. Key elements are programmable ePOS systems or self-checkout systems and relate to the checkout area. The software portfolio allows the entire control of all processes and systems within the branch.

For both retail banks and retailers our IT services ensure the maximum availability of installed IT systems. Moreover, for both segments professional services offer software adaptation and integration to the IT environment of our customers. For reporting purposes, these services are allocated to either one of the segments Retail or Banking.

Diebold Nixdorf AG is represented in over 130 countries around the world and has its own subsidiary companies in 34 of these. Major business geographies are Germany and Europe. The Group’s main production facility is located in Germany. Research and development (R&D) within the Group is conducted predominantly in Germany, Poland, Singapore, and Czechia.

The parent company of the Group is Diebold Nixdorf Aktiengesellschaft (in the following “Diebold Nixdorf AG”) located on Heinz-Nixdorf-Ring 1, 33106 Paderborn, Germany. The Company is registered at the local court office in Paderborn, Germany under the number HRB 6846. The stock of Diebold Nixdorf AG is listed on the Frankfurt Stock Exchange in the General Standard segment. The Group has changed its financial year due to the resolution of the Annual General Meeting on January 23, 2017 to align their fiscal year with the fiscal period of the ultimate parent company Diebold Nixdorf, Inc. As a result, three-month short fiscal year (in the following “short 2017”) has been formed for the period October 1 to December 31, 2017. For this reason, comparability of the Group income statement figures with the previous year’s figures is limited as they relate to the short financial year 2017.

The functional and reporting currency of Diebold Nixdorf AG is the euro (€). The Group financial statements are set up in euro since this is the currency in which the majority of the Group’s transactions are carried out. Reported figures are shown in thousands of euro (€k) unless stated otherwise.

Several Group balance sheet and Group income statement items have been combined in order to improve clarity. These items are stated and explained separately in the Notes to the Group financial statements. The Group income statement is structured using the cost of sales method.

On April 25, 2019, the Board of Directors of Diebold Nixdorf AG authorized the Group financial statements for issue to the Supervisory Board.

Use of International Financial Reporting Standards (IFRS).

The Group financial statements of Diebold Nixdorf AG as of December 31, 2018, have been prepared in accordance with the International Financial Reporting Standards (in the following "IFRS") as adopted by the European Union (in the following "EU") and the provisions of commercial law to be additionally applied in accordance with Section 315e (1) of the German Commercial Code.

During fiscal year 2018, Diebold Nixdorf AG has applied the following amendments and changes to accounting standards for the first time:

- Annual Improvements to IFRS 2014 – 2016 Cycle
(to be applied for periods beginning on or after January 1, 2018)
- Amendments to IAS 40: "Transfers of Investment Property"
(to be applied for periods beginning on or after January 1, 2018)
- IFRIC 22 „Foreign Currency Transactions and Advance Consideration“
(to be applied for periods beginning on or after January 1, 2018)
- Amendments to IAS 2: "Amendments Classification and Measurement of Share-based Payment Transactions"
(to be applied for periods beginning on or after January 1, 2018)
- Amendments to IFRS 4: "Amendments Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"
(to be applied for periods beginning on or after January 1, 2018)
- Amendments to IFRS 15: "Amendment Clarifications to IFRS 15"
(to be applied for periods beginning on or after January 1, 2018)
- IFRS 9 (2014): "Financial Instruments" (to be applied for annual periods beginning on or after January 1, 2018). IFRS 9 includes new standards on the classification and measurement of financial instruments as well as accounting policies to be applied in the case of hedging relationships. Additionally, it introduces new requirements concerning the impairment of financial instruments. For further details and information on the transitional effects of the initial application of IFRS 9 in the reporting period, please refer to the section entitled Accounting and Valuation Principles as well as the disclosures on financial instruments in section 22.
- IFRS 15 "Revenue from Contracts with Customers, including amendments to IFRS 15" (to be applied for annual periods beginning on or after January 1, 2018). The objective of IFRS 15 is to introduce a consistent approach to the recognition of revenue from contracts with customers and to bring together the principles of revenue recognition in a single standard. IFRS 15 replaces the previously applicable provisions of IAS 11 and IAS 18 as well as the applicable provisions set out in IFRIC 13, IFRIC 15, IFRIC 18, and SIC-31. For further details and information on the transitional effects of the initial application of IFRS 15, please refer to the section entitled Accounting and Valuation Principles.

The first time application of the amendments and accounting standards had no material effect on the Group financial statements of Diebold Nixdorf AG as of December 31, 2018.

Accounting Standards Not Applied before the Effective Date.

In addition, the following Standards and amendments have been released by the International Accounting Standards Board (“IASB”) and adopted by the EU until December 31, 2018; however, they are not yet applicable for the Group financial statements of Diebold Nixdorf AG in fiscal ending December 31, 2018:

- Annual Improvements to IFRS 2015 – 2017 Cycle
(to be applied for periods beginning on or after January 1, 2019)
- Amendment to IAS 19: “Plan Amendment, Curtailment or Settlement”
(to be applied for periods beginning on or after January 1, 2019)
- Amendment to IAS 28: “Long-term Interests in Associates and Joint Ventures“
(to be applied for periods beginning on or after January 1, 2019) IFRIC 23 “Uncertainty over Income Tax Treatments“
(to be applied for periods beginning on or after January 1, 2019)
- IFRIC 23: “Uncertainty over Income Tax Treatments“
(to be applied for periods beginning on or after January 1, 2019)
- Amendment to IFRS 9: “Prepayment Features with Negative Compensation“
(to be applied for periods beginning on or after January 1, 2019)
- IFRS 16: “Leases“
(to be applied for periods beginning on or after January 1, 2019)

We intend to consider the standards and amendments in our Group financial statements in the fiscal year in which they have to be applied, according to the guidelines of the EU.

IFRS 16: “Leases“

Diebold Nixdorf AG has not yet applied IFRS 16, Leases, as application of this Standard is not mandatory until annual periods beginning on or after January 1, 2019. This new Standard applies a consistent accounting approach, whereby all lessees shall recognize an intangible asset in the form of a right of use as well as a corresponding liability. As regards recognition by lessors, the requirements set out in IFRS 16 are largely unchanged from those specified in earlier standards on leases; the distinction between finance lease and operating lease continues to apply.

Diebold Nixdorf will not apply IFRS 16 retrospectively pursuant to IAS 8. The effect of first-time application of IFRS 16 is recognized in equity at the date of initial application.

To date, Diebold Nixdorf AG has mainly concluded lease agreements as an operating lessee. Due to the mandatory application of the newly defined standards in IFRS 16, this will have an impact on the consolidated financial statements and on financial position, performance, and cash flows.

Overall, Diebold Nixdorf AG does not anticipate any significant effects on key performance indicators such as the equity ratio of EBITA. Fundamentally, the application of IFRS 16 will lead to an increase in intangible assets, as the Standard requires the recognition of right-of-use assets, which in turn will result in higher non-current financial liabilities.

Diebold Nixdorf AG has analyzed the effects of the new Standard on its consolidated financial statements. As of December 31, 2018, this would essentially result in an increase in total assets (and thus also total equity and liabilities) of approximately €55 million. This would correspond to a

reduction in the equity ratio by approx. less than 1 percentage point. Calculated on this basis, the annualized EBITA margin would increase by around €1 million.

Current obligations in the form of existing minimum lease payments attributable to current operating lease arrangements are presented in Note [26] Other Financial Commitments.

Accounting Standards Not yet adopted into EU Law.

In addition, the IASB has issued further standards, interpretations and amendments of existing standards that the EU has not incorporated into existing law as of December 31, 2018:

- Amendments to IFRS 14: “Regulatory Deferral Accounts”
(to be applied for periods beginning on or after January 1, 2016)
- Amendment to “References to the Conceptual Framework in IFRS Standards”
(to be applied for periods beginning on or after January 1, 2020)
- Amendment to IAS 1 and 8: “Definition of Material”
(to be applied for periods beginning on or after January 1, 2020)
- Amendment to IFRS 3: “Business Combinations”
(to be applied for periods beginning on or after January 1, 2020)
- Amendments to IFRS 10 and IAS 28: “Amendments Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” and “Amendments Effective Date” (mandatory application date not yet known)
- IFRS 17 “Insurance Contracts”
(to be applied for periods beginning on or after January 1, 2021)

At the date on which the Group financial statements are issued, we do not expect any material effects resulting from the standards and amendments to existing standards that have not yet been incorporated into existing EU law on the presentation of the Group financial statements of Diebold Nixdorf AG at the moment of first-time application.

METHODS OF CONSOLIDATION.

Consolidation Group.

The Group financial statements as of December 31, 2018, basically include the subsidiaries controlled by Diebold Nixdorf AG. Control exists if Diebold Nixdorf AG is exposed, or has rights, to variable returns of companies and has the ability to affect those returns through its power. Inclusion of such companies’ in the Group financial statements begins from the date Diebold Nixdorf AG obtains control. It ceases, when Diebold Nixdorf AG loses control of the company.

The number of consolidated companies changed in the fiscal year 2018 as follows:

	Germany	Other countries	Total
October 1	28	60	88
Newly founded company	0	1	1
Liquidated and deconsolidated companies	0	-6	-6
December 31	28	55	83

In 2018, Altus Bilisim Hizmetleri Anonim Sirketi, (Turkey) was consolidated for the first time.

Sale of Interests with Loss of Control.

In the period under review the DN2020 transformation program within the Diebold Nixdorf Inc. Group continued. One of the key components of this program is to merge entities in selected countries in order to present a consistent image as Diebold Nixdorf within the markets in question and streamline administrative costs associated with duplicate legal structures in a specific country

In the context of this program following entities have been deconsolidated by Diebold Nixdorf AG due to sales of interests:

- Diebold Nixdorf Unipessoal Lda. (Portugal)
- Wincor Nixdorf S.A. de C.V. (Mexico)
- Wincor Nixdorf Canada Inc. (Canda)
- Wincor Nixdorf India Private Ltd. (India)
- Diebold Nixdorf Global Solutions B.V. (The Netherlands)
- Diebold Nixdorf Software CV (The Netherlands)

The result from these transactions is recognized within the other operating income and described in Note [4].

Associated Companies.

Since the sale of the majority interests, the Chinese companies Aisino-Wincor Retail & Banking Systems (Shanghai) Co., Ltd., Shanghai, China, and Aisino-Wincor Manufacturing (Shanghai) Co., Ltd., Shanghai, China, as well as Aisino-Wincor Engineering Pte. Ltd., Singapore, Singapore, (in the following all companies: Aisino-Wincor) have been associated companies of Diebold Nixdorf AG Group, which has a 43.6% share in the voting rights of each.

Consolidation Principles.

The Group financial statements are based on the annual accounts of companies forming part of the Group, such accounts having been compiled under uniform Group rules as of December 31, 2018, and, for the comparative period, as of December 31, 2017.

The accounting of business combinations was carried out in accordance with IFRS 3 using the acquisition method. The cost of the acquisition is the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the transaction date. The acquired assets, liabilities, and contingent liabilities are measured at fair value from the date when control is transferred to the Group.

Goodwill is recognized at the acquisition date as the excess of the cost of the acquisition plus the amount of any non-controlling interests in the acquiree as well as the acquisition-date fair value of the acquirer's previously held equity interest over the net fair value of identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

For each business combination, Diebold Nixdorf AG independently decides whether non-controlling interests of the acquiree are measured at fair value or at their proportionate share of the acquiree's identifiable net assets.

Goodwill is not amortized on a scheduled basis. Moreover, goodwill is tested for impairment annually or if an indication for impairment exists, and if applicable, an impairment loss is recorded.

The interests in subsidiary companies, which are not attributable to the parent company, are shown within Group equity as "non-controlling interests." Changes in equity interests in Group subsidiaries that reduce or increase Group's percentage ownership without changes of control status are accounted for as an equity transaction between owners. As far as put options for non-controlling interests exist, these are presented based on the respective purchase price agreement at the present value of the exercise price as a financial liability.

If Diebold Nixdorf AG loses control of a subsidiary, the assets, liabilities, any non-controlling interests, prorated Goodwill and foreign exchange reserves are derecognized respectively. Gains and losses from the disposal of subsidiaries are recognized under the other operating result.

Investments that do not have a material impact on the Group's financial position or results of operations are recognized in the consolidated financial statements at cost of acquisition less any impairment losses.

Mutual receivables and payables between companies included in the consolidated accounts, intra-Group income and expenses, as well as intra-Group profit or loss from the delivery of goods and services, are eliminated. If necessary, deferred taxes are applied on consolidation transactions.

Joint ventures and associated companies are accounted for using the equity method. Based on the cost of the investment at the date of acquisition, the carrying amount of the investment is increased or decreased by the share of profit or loss, dividends distributed, the share of intra-Group profit elimination resulting from business with Diebold Nixdorf AG, and other changes in the equity of the joint ventures and associated companies attributable to the investments of Diebold Nixdorf AG or its consolidated subsidiaries. Investments in companies accounted for using the equity method are written down as impaired if the recoverable amount falls below the carrying amount.

Currency Translation.

In the individual annual accounts prepared in local currency, foreign currency transactions are recorded at the exchange rates applicable at the time of the transactions. Monetary items in foreign currency (cash and cash equivalents, receivables and payables) are valued at the mid exchange rate on the balance sheet date. The exchange rate profits or losses arising from the valuation or transaction of monetary items are shown in the Group income statement. Non-monetary items are recorded using historical exchange rates.

Annual accounts prepared in foreign currencies have been converted into euro using the functional currency method, in accordance with IAS 21. The functional currency is the currency in which a foreign entity primary operates or settles payments. As the Group companies undertake business dealings financially, economically, and organizationally independently, the functional currency is, in general, identical with the local currency. However, in the case of Wincor Nixdorf C.A., Caracas, Venezuela, IT SOLUCIONES INTEGRALES C.A., Baquisimeto, Venezuela, DIEBOLD NIXDORF PTE. LTD., Singapore, DIEBOLD NIXDORF MANUFACTURING PTE. LTD., Singapore, Wincor

Nixdorf S.A. de C.V., Mexico City, Mexico, and Wincor Nixdorf IT Support S.A. de C.V., Mexico City, Mexico, the U.S. dollar, and in the case of Diebold Nixdorf Teknoloji A.S., Kadikoy/Istanbul, Turkey, the euro, is used as the functional currency, since these currencies influence the purchase and sales prices for goods and services of the foreign entities.

Balance sheet items, including goodwill, are converted at the mid exchange rate applicable on the balance sheet date, and income and expenses in the Group income statement are converted using average exchange rates (annual averages) provided that the foreign exchange rates are more or less stable. The variance arising from conversion is offset against shareholders' equity without affecting profit. Currency differences that result from comparison to last year's currency conversion are also charged against equity without affecting profit. In the event of the disposal of a subsidiary, which results in a loss of control, the cumulative amount of exchange rate differences previously recognized directly in equity is reclassified to the profit or loss as part of the gain or loss on disposal.

The foreign exchange rates of the significant currencies for the Group have developed as follows:

		Average rate		Closing rate	
1 € =	ISO Code	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Pound sterling	GBP	0.8865	0.8823	0.9027	0.8872
U.S. dollar	USD	1.1788	1.1818	1.1454	1.1993

ACCOUNTING AND VALUATION PRINCIPLES.

The Group financial statements are prepared on the basis of accounting and valuation policies that are applied uniformly throughout the Group. The accounting and valuation principles have been retained unchanged compared to the previous year. Exceptions are changes due to new IFRS standards such as IFRS 9 and IFRS 15.

Assets and liabilities have been valued at historical acquisition/production cost, with the exception of the items to be reflected at fair value, such as certain financial instruments and plan assets within the scope of pension obligations.

Assumptions and Estimations.

In compiling the Group financial statements, assumptions have been made and estimates used, which have affected the value and reporting of capitalized assets and liabilities, of income and expenses, and of contingent liabilities.

The assumptions mainly relate to the Group-wide setting of standard economic utilization periods of intangible assets and property, plant and equipment, and to the valuation of inventories.

Estimates that have a material influence on the consolidated financial statements are described in the course of the explanatory notes to cash flows used for impairment tests (see subsequent section on Impairment), to the ability of future tax benefits to be realized (see Note ► 6), to investments accounted for using the equity method (see Note ► 10) to accruals for pensions and similar commitments (see Note ► 19), to other accruals (see Note ► 20), as well as to financial instruments (see Note ► 22).

The estimates are based on historical experience and other assumptions that are considered valid at the preparation of the consolidated financial statements and were considered to be the most likely form by the management under given circumstances. The underlying future business development is the one for which the highest probability can be assumed. Additionally, the development of the retail and banking industry as well as of the business environment has been accounted for. The estimates and the underlying assumptions are continuously verified. The actual values may vary in individual instances from the assumptions and estimates made if the general conditions unfold in contrast to the expectations at the balance sheet date. Revisions to estimates are incorporated once improved knowledge is obtained.

With regard to the general assumptions and estimates used of circumstances beyond the aforementioned, we refer to the following general remarks in this chapter as well as in the Notes to the Group Income Statement and Group Balance Sheet and Other Information.

In compiling the Group financial statements judgments with regard to the accounting of cash flow hedges have been made in the process of applying accounting policies.

Net Sales.

Net sales are derived from the business streams Hardware as well as Software/Services. Included in the business stream Software is revenue from software licenses and software-related services (professional services). The business stream Services comprises product-related services and high-end services like Managed Services and Outsourcing.

Revenue is recognized after deduction of bonuses, discounts or rebates when control over the goods or services has been transferred to the customer. In general, this is the case when the delivery has been made or the service has been rendered, the selling price is fixed or determinable and when the receipt of payment is reasonably certain. Revenue for contracts with customers, particularly in relation to the sale of ATMs and ePOS systems as well as the provision of services, is recognized in the Diebold Nixdorf AG-Group primarily on the basis of individual contracts. Revenue is recognized at the amount of the contractually agreed consideration as soon as the customer has gained control over the goods or uses the services provided. Under IFRS 15, the total consideration attributable to service contracts is allocated to the services on the basis of stand-alone selling prices. The stand-alone selling prices are determined on the basis of the list prices at which the Group offers its services as part of separate transactions. Based on the Group's assessment, the fair values and the stand-alone selling prices for services are, to a large extent, comparable. Significant financing components are not included in the contracts with customers as standard market payment targets are agreed as a general rule. A provision is set up for statutory and contractual warranty obligations.

With regard to projects which are under the control of the ordering party during production and for which the Group has a legal right to payment for the work already performed, including an appropriate margin, Diebold Nixdorf recognizes revenue and the cost of sales in accordance with the degree of completion. This means that, for these projects, control is transferred and revenue is recognized over a specific period. The degree of completion is determined using the milestone method; in other words, work performed is recognized in relation to total work, which best represents the performance progress. If the earnings from a contract cannot be determined reliably, revenue is only recognized in the amount of the costs incurred that are likely recoverable.

Income from operating leases and finance leases is recognized based on the provisions of IAS 17.

The revenue was recognized in the reporting year for the first time in accordance with the provisions of IFRS 15 "Revenue from Contracts with Customers". The Diebold Nixdorf AG applied the retrospective method within the transition of IFRS 15, accordingly the cumulative non-material adjustment amounts were recognized in retained earnings as of January 1, 2018. The introduction of IFRS 15 when applying the modified retrospective method did not result in any changeover effects as no significant construction contracts within the meaning of IAS 11 and no significant customer loyalty programs within the meaning of IFRIC 13. Also there was no material impact compared to the practice previously in place under IAS 18 with regard to revenue generated from sales.

Due to the shift from performance obligation that is fulfilled on a specific date to performance obligation that is fulfilled over a period of time, the timing of revenue recognition defers. Especially through applying time-related revenue recognition according to IFRS 15 for all revenues that were so far recognized by following the "Completed-Contract-Method" the revenue will be realized through the complete agreed service period. As a result, parts from the revenue should have already been realized in 2017 or prior periods and therefore were not be constituted as turnover for fiscal year 2018. Nevertheless this effect was compensated by agreed time-related contracts in 2018.

Cost of Sales.

The cost of sales includes costs of the sale of products and services as well as purchase costs of the sale of merchandise. In addition to direct material and production costs, the cost of sales comprises overheads, including the pro-rata consumption of intangible assets and property, plant and equipment.

Research and Development Expenses.

Research expenses are not to be capitalized. Research expenses are therefore recorded in profit or loss once incurred.

Development expenses of the Group are capitalized if certain criteria of IAS 38.57 are met cumulatively. Under these rules, capitalization is required whenever development expenses may be reliably measured, the product or procedure are technically feasible, future economic benefits are probable, and the Group intends and disposes of sufficient resources to complete the development and to use or sell the asset.

Capitalized development expenses are valued at cost of acquisition or production, less scheduled depreciation and impairment losses. Upon receipt, advances or reimbursements are deducted from development expenses.

Non-capitalized development expenses are recorded in profit or loss once incurred. This refers to the major part of the research and development expenses of the Group and concerns enhancements and improvements of already existing products. These do not comply with the criteria of IAS 38 for separate capitalization of development expenses.

Borrowing Costs.

Borrowing costs are expensed as incurred unless they are directly attributable to the acquisition, construction, or production of a qualifying asset and therefore are part of the cost of that asset.

Government Grants.

Government grants are recognized only if there is a reasonable assurance that the associated conditions will be met and the grants will be received. Basically, grants related to assets are reported as a reduction of cost of the assets concerned with a corresponding reduction of depreciation and amortization in subsequent periods. Grants related to income (e.g., grants from the Federal Employment Agency) are stated as a reduction of the corresponding expenses in the periods in which the expenses the grant is intended to compensate are incurred. During the year 2018 under review, government grants related to income came to €1,194k (short 2017: €263k) and are reported in principle in the Group income statement under its related functional costs (cost of sales, research and development expenses and selling, general and administration expenses).

Taxes.

In fiscal year 2016/2017, a domination (Beherrschung, officially referred to under IAS/IFRS as "control") and profit transfer agreement ("DPLTA") came into force between Diebold Nixdorf AG and Diebold Nixdorf Holding Germany Inc. & Co. KGaA (formerly "Diebold Holding Germany Inc. & Co. KGaA", in the following "Diebold Nixdorf KGaA"), a wholly-owned subsidiary of Diebold Nixdorf, Inc.,

upon entry in the Commercial Register at the District Court of Paderborn at February 14, 2017. Due to the thus resulting inclusion of Diebold Nixdorf AG and the domestic entities formerly belonging to the tax group of Diebold Nixdorf AG in the consolidated tax group of Diebold Nixdorf KGaA in respect of taxes on income, any liability for income tax payments relating to Diebold Nixdorf AG expired. All profits of the domestic tax group are now legally subject to taxation in respect of Diebold Nixdorf KGaA, which is not included in the consolidated financial statements of Diebold Nixdorf AG.

The provisions set out in IAS 12 do not include explicit regulations concerning the recognition of tax expense incurred by domestic consolidated tax groups belonging to the Diebold Nixdorf AG Group. With this in mind, when preparing the consolidated financial statements of Diebold Nixdorf AG, irrespective of an actual liability in respect of taxation, all tax expense attributable to domestic consolidated tax groups belonging to the Group were accounted for in the consolidated financial statements of Diebold Nixdorf AG. Therefore, rather than adopting a position based on the formal procedures of the law, the Company decided to allocate the relevant tax items from an economic/commercial (i.e., substance over form) perspective. The method chosen is based on the notional existence (i.e., legal fiction) of a separate/independent liability in respect of taxation on the part of controlled entities belonging to the Group. Consequently, all effects of taxation relating to these entities were accounted for in the consolidated financial statements of Diebold Nixdorf AG. This includes the recognition of current taxes as well as the aspect of accounting for tax risks and possible tax back payments or refunds for prior periods, in addition to the concomitant effects in regard to deferred taxes. In the case of the tax fiction outlined above, no obligations have arisen within the Diebold Nixdorf AG Group in a legal sense. Therefore, the capital reserves were increased by an amount equivalent to the tax expense recognized in respect of tax expense incurred by the controlled entities.

Income taxes comprise both current and deferred taxes. Taxes are recorded in the Group income statement unless they refer to items directly recorded under shareholders' equity, in which case the corresponding taxes are also entered under shareholders' equity without any effect upon profit.

Current income taxes are taxes expected to be payable for the year, on the basis of tax rates valid in the year in question, plus any tax corrections for previous years.

Deferred taxes are reported in respect of temporary differences between the values, for tax purposes, of assets and liabilities and their values in the Group financial statements. In addition, deferred tax assets in respect of the future utilization of tax losses carried forward are shown. Deferred tax assets on temporary differences and tax losses carried forward are recognized to the extent that it is probable that sufficient taxable income will be available in order to use them. The deferred taxes are shown at the rates of tax that will be effective under applicable law at the time at which the temporary differences are predicted to turn around, or at which the tax losses carried forward can probably be used.

Deferred taxes on "outside basis differences" are not recognized if a reversal of the difference is not expected in the foreseeable future and the parent entity is able to control the timing of the temporary differences.

Offsetting of deferred tax assets and deferred tax liabilities is performed if the positions are related to income taxes, which are levied by the same tax authorities, for which the Group has a right to set off the recognized amounts and which arise for the same companies or within the same tax group, respectively.

Other taxes, such as capital-based taxes and energy taxes, have been included in the respective expense items by function. The cash compensation payable by Diebold Nixdorf KGaA to non-controlling interests (i.e., minority shareholders) of Diebold Nixdorf AG, which is taxable by Diebold Nixdorf AG as the controlled entity in accordance with Section 18 of the German Corporation Tax Act (Körperschaftsteuergesetz), also results in other taxes. These are to be estimated with regard to the duration of the domination and profit transfer agreement and in respect of the cash compensation probably payable during this period; said amounts shall be accounted for as other liabilities through a reduction in capital reserves. The change of this position is shown in the development of the Group-equity.

Intangible Assets.

Intangible assets are accounted for at cost and, as the useful lives are, with the exception of goodwill, finite, amortized in a scheduled manner in equal annual amounts over the relevant utilization period. If there are indications of impairment of intangible assets, they are tested for impairment (see "Impairment") and, if necessary, written down. The write-downs are reversed with effect on profit, if the reasons for the impairment losses no longer apply, to the maximum of amortized costs.

The amortization period for commercial patents and licenses is a maximum of five years, for internally generated intangible assets the amortization period is three years.

The amortization as well as impairment losses of intangible assets are included in the Group income statement under the functional costs (cost of sales, research and development expenses, and selling, general and administration expenses).

As in the previous year, there were no reversals of impairment losses on intangible assets. No borrowing costs were recognized as a cost component of intangible assets during the year under report.

According to IFRS 3, goodwill is not amortized on a scheduled basis, only if a need for impairment loss exists. A recorded impairment loss on goodwill may not be reversed in subsequent periods.

Property, Plant and Equipment.

Property, plant and equipment are valued at cost of acquisition or production, less scheduled depreciation and impairment losses. They were not revalued in accordance with the option under IAS 16.

If there are indications of impairment of items of property, plant and equipment, they are tested for impairment (see Impairment) and, if necessary, written down. The write-downs are reversed, if the reasons for the impairment losses no longer apply, to the maximum of amortized costs.

The cost of acquisition comprises the acquisition price, ancillary costs, and subsequent acquisition costs, less any reduction received on the acquisition price. Production costs include direct costs as well as proportionate indirect costs.

Business and factory premises are amortized over a maximum of 50 years, plant and machinery over an average of ten years, other fixed assets and office equipment mainly over five years, and products leased to customers as per the terms of the relevant contract, but as a maximum per the respective useful life. Property, plant and equipment are mainly depreciated using the straight-line method, in

accordance with economic utilization. If parts of single assets have different useful lives, they are separately depreciated on a scheduled basis.

The depreciation of the fiscal year as well as impairment losses are included in the Group income statement under the functional costs (cost of sales, research and development expenses, and selling, general and administration expenses).

Expenses for the repair of property, plant and equipment, such as ongoing maintenance costs, are normally recognized in income. The cost of acquisition or construction is capitalized if a repair will result in future economic benefits.

As in the previous year, there were no reversals of impairment losses on property, plant and equipment. No borrowing costs were recognized as a cost component of property, plant and equipment during the year under review.

Impairment.

With the exception of inventories (see Reworkable Service Parts and Current Inventories) and deferred tax assets (see Taxes), the book values of assets held by the Group are checked on each balance sheet date for indicators favoring impairment. Where such indicators exist, the settlement value of the assets (recoverable amount) is estimated and where necessary devaluation is made with a corresponding charge to the Group income statement.

According to IAS 36, goodwill is tested for impairment annually, or if an indication for impairment exists, by the execution of an impairment test. In doing so, the carrying amount of a cash-generating unit or a group of cash-generating units ("cash-generating unit") is compared with the recoverable amount. The recoverable amount of a cash-generating unit is the greater of fair value less costs to sell and value in use. If the recoverable amount of a cash-generating unit is lower than its carrying amount, a goodwill impairment loss is recorded in the amount of the difference.

The goodwill derived from the carve-out of the Siemens Group has been allocated to the operating segments Retail and Banking. As of December 31, 2018, the aggregate carrying amounts of material goodwill amount to €200,748k (short 2017: €200,267k) for "Banking Carve-out" and to €85,815k (short 2017: €85,829k) for "Retail Carve-out." Goodwill resulting from subsequent acquisitions has been individually allocated to the areas within the segments Retail and Banking. These cash-generating units refer to the lowest level within the Diebold Nixdorf AG Group at which goodwill is monitored for management purposes. As of December 31, 2018, goodwill allocated to cash-generating unit "Banking Europe" amounts to €34,978k (short 2017: €34,978k), the total amount of the remaining goodwill is €15,126k (short 2017: €19,325k).

In the case of Diebold Nixdorf AG, the recoverable amount equals the value in use, which is determined by the discounted cash flow method. The basis for the determination of future cash flows is data from the detailed Group planning for the periods until 2021. The cash flow projections take into account past experience, current operating profits and influences of expected future market developments of the respective segments and geographical sub markets. A slight increase in cash flow is expected for all cash-generating units to which a material carrying amount of goodwill is assigned. Possible future cash flows from acquisitions are not included. The assumptive continual growth of 0.75% (short 2017: 0.75%) for perpetuity complies with the general expectation of the business development of the cash-generating units.

The compulsory weighted average cost of capital for impairment testing is determined by the Capital Asset Pricing Model. The cost of capital is composed of a risk-free interest rate and the market risk premium. Moreover, the beta derived from the peer group, the debt capital spread as well as the capital structure is considered. Furthermore, tax rates attributable to the cash-generating units and country risks are included.

In the fiscal year 2018, an impairment of €4,171k of goodwill allocated to other cash-generating units was necessary. There are no further indications for all other cash-generating units for impairment under consideration of sensitivity analyses of possible changes in key assumptions (long-term growth rate and discount rate).

The following table presents the key assumptions used for the impairment test of the cash-generating units in order to determine the value in use:

€k

	Jan. 1, 2018 - Dec. 31, 2018			Oct. 1, 2017 - Dec. 31, 2017		
	Goodwill	Long-term growth rate	Interest rate	Goodwill	Long-term growth rate	Interest rate
Banking (Carve-out)	200,748	0.75%	12.8%	200,267	0.75%	12.5%
Retail (Carve-out)	85,815	0.75%	12.8%	85,829	0.75%	12.5%
Banking Europe	34,978	0.75%	13.8%	34,978	0.75%	13.1%
Other cash-generating units	15,126	0.75%	8,3 -13,8 %	19,325	0.75%	8,5 - 13,1%
Total	336,667			340,399		

Leasing.

A lease is an agreement whereby the lessor assigns to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments. Leases are classified as either finance or operating leases. Leasing transactions that transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee are classified as finance leases. All other leasing agreements are classified as operating leases.

Where Diebold Nixdorf AG is the lessor in an operating lease, the lease payments received are recognized in income. The leased asset remains on the balance sheet of the Company.

Where Diebold Nixdorf AG is the lessee in an operating lease, the lease payments are expensed.

Where Diebold Nixdorf AG is the lessor in a finance lease, the net investment in the lease is reflected in sales and a leasing receivable is recognized. The lease payments received are divided into the principal portion and the interest income using the effective-interest method.

Where Diebold Nixdorf AG is the lessee in a finance lease, the leased asset is capitalized at the lower of the fair value or present value of the minimum lease payments at the beginning of the lease term, and simultaneously recognized under financial liabilities. The minimum lease payments essentially comprise financing costs and the principal portion of the remaining obligation. The leased asset is depreciated by the straight-line method over the estimated useful life or the shorter lease term. The lease payments to be made are divided into the principal portion and the interest expense using the effective-interest method.

Leasing agreements where Diebold Nixdorf AG is the lessor in an operating lease or finance lease are agreements in connection with the rental of ATMs and Point of Sale (“POS”) systems.

Reworkable Service Parts and Current Inventories.

Reworkable service parts and current inventories are valued at purchase or production cost, or at lower net realizable value.

The purchase cost of reworkable service parts, raw materials, supplies, and merchandise is calculated using the average valuation method.

In accordance with IAS 2 “Inventories,” pro-rata material costs and production overheads (assuming normal utilization), including depreciation on production equipment and production-related social security costs, are included along with production material and production wages in the production cost of reworkable service parts and finished and unfinished products. Interest on loan capital is not capitalized.

Write-downs for inventory risks are undertaken to an appropriate and adequate extent. Lower net realizable values are used where required. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. If the reasons for a lower valuation no longer apply to inventories that have formerly been written down and the net selling price has therefore risen, the reversal of the write-down is recognized in the Group income statement as a reduction of cost of sales.

As of the balance sheet date, there were no substantial orders that would require capitalization in accordance with IAS 11 “Construction Contracts.”

Other Receivables and Liabilities.

Non-financial assets and liabilities as well as accrued items and advance payments are carried at amortized costs.

Financial instruments.

Basic Information.

Financial assets are recognized if Diebold Nixdorf AG has a contractual right to receive cash or other financial assets from another party. Financial liabilities are recognized if Diebold Nixdorf AG has a contractual obligation to transfer cash or other financial assets to another party. Purchases and sales of financial assets are basically recognized as of the settlement date. However, purchases and sales of securities are accounted for with the settlement price and derivatives with the acquisition costs at trade date.

Initial application of IFRS 9.

Diebold Nixdorf AG has applied IFRS 9 as from January 1, 2018, for the first time (period of initial application) and has made use of the simplification option for comparative information in respect of prior-year figures (initial application in accordance with the modified retrospective method). Therefore, the comparative period continues to be presented according to the provisions set out in IAS 39.

The new approach to classification and measurement of financial assets (debt instruments) under IFRS 9 is based on the possible business models Held-to-Collect, Mixed, or Other as well as the cash flow characteristics of the specific financial assets according to the so-called SPPI criterion ("solely payments of principal and interest").

With the introduction of IFRS 9 the former categories set out in IAS 39: Loans and Receivables, Financial Assets or Financial Liabilities at Fair Value through Profit or Loss, Financial Assets or Financial Liabilities at Fair Value through Profit or Loss (Held for Trading), Available-for-Sale Financial Assets, and Financial Liabilities at Amortized Cost have been replaced. Instead, IFRS 9 essentially introduces three new classification categories for financial assets: Amortized Cost (AC), Fair Value through Profit or Loss (FVTPL), and Fair Value through Other Comprehensive Income (FVOCI).

The transitional effects resulting from the initial application of the new Standard have been recognized, within equity, on a cumulative basis in revenue reserves as of January 1, 2018. The effects of transition relate solely to the effects of measurement in connection with the new "expected credit loss model" applied under IFRS 9, which replaces the former "incurred loss model" under IAS 39.

At the same time, the move away from the previous approach for allowances on the basis of losses incurred to risk provisioning on the basis of expected credit losses requires more extensive discretionary decisions in dealing with forward-looking information.

The new impairment model on the basis of expected credit losses is applied to financial assets that are measured at amortized cost or FVOCI as well as to contract assets and receivables from finance leases. As regards these assets, Diebold Nixdorf applies the simplified impairment approach under IFRS 9 and recognizes the lifetime expected credit losses. Due to the new impairment approach, loss allowances are accounted for at an earlier stage.

The effects resulting from applying the simplified impairment approach under IFRS 9 relate solely to trade receivables and amount to €502k as of the date of initial application. In parallel, revenue reserves were reduced by this amount as of January 1, 2018. The additional loss allowances determined in respect of cash and cash equivalent, financial assets, contract assets, and other financial assets are not considered material.

The majority of financial assets (primarily cash and cash equivalents, trade receivables, receivables from affiliated companies, and other financial assets) are classified and measured, as of January 1, 2018, as "Financial Assets - Amortized Cost" on the basis of the business model and the cash flow characteristics set out in IFRS 9.

As regards recognition and measurement, the requirements for receivables from finance leases are set out in IAS 17. However, they are also subject to the derecognition and impairment requirements of IFRS 9.

Financial assets include subsidiaries that have not been consolidated in full, equity investments, loans, and other loan arrangements. Interests held in subsidiaries not fully consolidated amounted to €45,214k as of December 31, 2017. Of this figure, a sum of €40,364k was attributable to interests held in Diebold France SARL, Guyancourt, France. Up until December 31, 2017, all interests in non-fully-consolidated subsidiaries were measured at amortized cost.

In accordance with IFRS 9, as of January 1, 2018, equity securities measured at amortized cost up until December 31, 2017, are classified at fair value through profit or loss (FVTPL). In this context, amortized cost as of December 31, 2017, represents the best estimate for fair value as of January 1, 2018. The interests in Diebold France SARL, Guyancourt, France, were acquired in the final

quarter of 2017 at fair value; no material changes in their value were determinable up to the date of initial application of IFRS 9. As a whole, the other non-fully-consolidated subsidiaries as of December 31, 2017, are of minor significance to the Diebold Nixdorf AG Group, as a result of which they were not fully consolidated.

Financial assets also include the 6% interest held in WINCOR NIXDORF Immobilien GmbH & Co. KG, Paderborn, which were classified under Financial Assets at Fair Value through Profit or Loss in the previous year. The carrying amount of this investment was €1,441k as of December 31, 2017. As no price quotation in an active market exists for this financial asset, the existing contractual arrangements were used as a basis for determining its fair value. Under IFRS 9, as of January 1, 2018, this investment is classified as a financial asset measured at fair value through profit or loss (FVTPL) for the first time.

IFRS 9 has no impact on the classification and measurement of financial liabilities.

Derivatives without a hedging relationship, which were classified under IAS 39 as financial assets or financial liabilities at fair value through profit or loss (held for trading), are classified and measured at fair value (through profit or loss) under the requirements of IFRS 9. There are no transitional effects in respect of derivatives with a hedging relationship because an accounting option was exercised as of January 1, 2018, not to apply the accounting rules of IFRS 9 for hedging relationships as of January 1, 2018, and instead to continue to apply the existing requirements of IAS 39 in this respect.

Previous regulations of IAS 39 with regard to the comparative period.

Financial assets and liabilities are initially measured at fair value. The carrying amount of financial instruments that are not measured at fair value through profit or loss in subsequent periods includes also the directly attributable transaction costs.

Subsequent measurement of financial instruments recognized in the Group accounts is in line with the measurement categories defined in IAS 39 "Financial Instruments: Recognition and Measurement":

- Financial Assets or Financial Liabilities at Fair Value through Profit or Loss (FVTPL and held for trading ("HFT")): at fair value
- Held-to-Maturity Investments ("HtM"): at amortized cost
- Loans and Receivables ("LaR"): at amortized cost
- Available-for-Sale Financial Assets ("AfS"): at fair value or at cost
- Financial Liabilities at Amortized Cost ("FLAC"): at amortized cost

Financial assets and liabilities are reported without being offset. They are only offset when there is a legal right to do so and the enterprise intends to settle them on a net basis. The recognized carrying amount of current financial assets and liabilities is an appropriate estimate of the fair value.

If there are objective or substantial indications of impairment of a financial asset, an impairment loss is recognized in profit or loss and presented on separate accounts for impairment losses. The carrying amounts of financial assets not carried at fair value are examined for impairment requirements both individually (specific allowances for impairment losses) and in groups with similar default risk profiles (specific impairment allowances calculated on a portfolio basis). Objective evidence includes, for example, considerable financial difficulty of the debtor obligor, disappearance of an active market, and significant changes in the technological, market, economic, or legal environment. A significant or prolonged decline in fair value of an equity instrument is objective evidence of impairment. The expenses are recorded in profit and loss under the functional costs.

Appropriate risk provisioning was recognized for all discernible risks of default. The theoretically maximum remaining risk of default of financial assets is therefore the same as their recognized carrying amounts.

Financial assets are derecognized when the contractual rights to cash flows end or substantially all the risks and rewards of ownership are transferred to another party. Financial liabilities are derecognized when the contractual obligation is settled or legally revoked.

Net gains and losses from financial instruments include changes of write-downs and foreign currency valuation effects recognized in net profit on operating activities and interest income and expenses recognized in the financial result.

For information on risk management please refer to Note ► 22 and/or to the Group Management Report.

Investments.

IAS 39 divides these financial instruments into the categories of “financial assets at fair value through profit or loss”, “held to maturity”, “available for sale” or “loans and receivables”. Investments measured and managed internally at fair value and designated accordingly on initial recognition are categorized as financial assets at fair value through profit or loss. Investments whose fair value may be reliably measured are classified as “available-for-sale financial assets” and measured at fair value; changes in fair value will be recognized in other comprehensive income. If this is not possible, investments are measured at cost.

Loans are credits that are classified as “loans and receivables” according to IAS 39. Measurement in subsequent periods is at amortized cost using the effective-interest rate method.

Receivables and Other Assets.

Receivables and other assets are sub-classified into “Trade Receivables” and “Other Receivables and Other Assets.”

First-time recognition of “Trade Receivables” is at fair value plus directly attributable transaction costs. Measurement in subsequent periods is at amortized cost using the effective-interest rate method due to the “loans and receivables” measurement category.

“Other Receivables and Other Assets” comprise both non-financial assets and financial assets including derivative financial instruments. With the exception of derivative financial instruments, financial assets are measured at fair value plus directly attributable transaction costs at first-time recognition. They are assigned to the “loans and receivables” category under IAS 39, and are measured at amortized cost using the effective-interest rate method in subsequent periods. Non-financial assets are measured in line with the respective applicable standard.

Cash and Cash Equivalents.

Cash and cash equivalents include marketable securities as well as cash in hand and cash at bank and checks. Cash on hand and bank balances are measured at fair value plus directly attributable transaction costs at first-time recognition. They are assigned to the “loans and receivables” category under IAS 39, and are therefore measured at amortized cost in subsequent periods using the effective-interest rate method. Foreign currency stocks are valued at their mid-price on the balance

sheet date. Bank balances and securities included in cash and cash equivalents have a remaining term of up to three months on acquisition.

At Diebold Nixdorf AG, securities are principally allocated to the categories “financial assets at fair value through profit or loss” or “available-for-sale financial assets.” Both categories are initially and subsequently measured at fair value. In order to determine the fair value of marketable securities at the balance sheet date, respective quotations of banks have been obtained and market prices of trading systems have been used. Changes in value of the securities classified as “financial assets at fair value through profit or loss” are recorded in finance income and finance costs. Changes in securities classified as “available-for-sale financial assets” are shown within equity under consideration of deferred tax effects. At the selling date, realized gains or losses are recorded in finance income and finance costs.

Financial Liabilities.

Primary financial instruments include financial liabilities, trade payables and non-derivative other financial liabilities. Trade payables and non-derivative other financial liabilities include amounts for outstanding invoices and deferred staff liabilities. In accordance with IAS 39, primary financial liabilities are stated at fair value at initial recognition, considering directly attributable transaction costs. Measurement in subsequent periods is at amortized cost using the effective-interest rate method.

Derivative Financial Instruments.

Derivative financial instruments of the Group comprise hedging instruments used to manage interest rates and exchange rate fluctuations. These instruments serve to reduce income volatility. No derivatives are held for trading purposes. Nevertheless, derivatives not meeting the requirements for hedge accounting in accordance with IAS 39, or for which the hedged item no longer exists, are classified as “held for trading.”

The scope of hedge accounting by financial derivatives comprises recognized, pending and highly probable hedged items. In accordance with IAS 39, derivatives meet the recognition criteria for assets and liabilities, as a result of which they must be capitalized (other assets) or expensed (other liabilities) at fair value.

Derivative transactions are accounted for at acquisition cost at the trading date, in general, acquisition costs of derivative transactions equal their fair values at that date. In subsequent periods, they are capitalized at their fair values. Resultant profits or losses flow through to profit for the period in question where the requirements for cash flow hedge accounting are not met. If hedging relationships are effective, the amounts of profit are under consideration of deferred tax effects credited (and losses charged) to equity, with no effect on profit or loss. The reclassification from equity to Group income statement takes place when the hedged item is recognized in income, or is no longer expected to occur.

Accruals for Pensions and Similar Commitments.

Accruals in respect of beneficiaries' and pensioners' pension obligations are created using the projected unit credit method. This method takes account not only of known pensions and known earned future pension entitlements at the balance sheet date, but also of expected future increases in pensions and salaries having estimated the relevant influencing factors.

Plan assets measured at fair value are netted with directly related pension obligations. A negative net obligation arising from prepaid future contributions is only recognized as an asset to the extent that a cash refund from the plan or reductions of future contributions to the plan are available ("asset ceiling"). Any exceeding amount is recognized in equity in the period when it is incurred. The interest on plan assets and defined benefit obligations is calculated with a single interest rate in accordance with the provisions of IAS 19.

According to IAS 19.83 the discount rate used to discount accruals for pensions and similar commitments has to be determined at each valuation date. The discount rate is based on the market yields on high-quality corporate bonds and with that at low-risk. The terms of the corporate bonds have to be consistent with the estimated terms of the obligations. The interest rate was calculated on the basis of the WTW method "Global RATE: Link". This procedure has been refined compared to the previous year. In Germany, an interest rate of 1.5% was used. For this area of duration as well as interest rate, the same interest rate would have been calculated after rounding using the old RATE: Link method (deviation <1 bp).

Pension expenses are recorded immediately in the relevant year's profit for the period. Service cost is presented in the functional costs and net interest on net defined benefit liability in the financial result. Effects from remeasurements of the net defined benefit liability are fully recognized in the fiscal year in which they occur. They are reported as a component of other comprehensive income in the statement of comprehensive income. They remain outside profit or loss in subsequent periods as well.

Other Accruals.

Other accruals are created on the balance sheet in respect of legal or constructive obligations to third parties resulting from past events, as well as for onerous contracts where the outflow of funds to settle such obligations is probable and can be estimated reliably.

Other accruals are measured in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or IAS 19 "Employee Benefits." The values used for such accruals are based on the best estimate. Where required, accruals are stated net of unaccrued interest. Claims for reimbursements from third parties are capitalized separately if their realization is virtually certain.

Accruals for restructuring costs are recognized in accordance with IAS 37.70 et seq. when the Group has a detailed formal plan for the restructuring and has notified the affected parties. Those accruals only cover expenses that arise directly from restructuring measures, are necessary for restructuring, and are not related to future business operations.

Where income from an order does not cover prime cost, accruals are created for onerous contracts to the value of the variance between income and expenses.

Where delay and contract penalties are agreed in contracts for the supply of goods and/or services, and where the incurrence of penalties is probable in the light of the current position, a corresponding accrual for delay and contract penalties is created.

Share-based Payment Transactions.

Share-based payment includes liability-based payment plans, which are settled in cash.

The liability-based payment plans are measured at fair value as of each balance sheet date until they are settled, and the obligation is recognized under other financial liabilities.

The result to be recognized in the reporting period equates to the change in the fair value of the liability between the balance sheet dates plus the dividend equivalent paid out in the reporting period and is recognized under functional costs.

Additional explanation for share-based payment transactions can be found under "Liabilities" (Note ► 21).

Disposal Groups.

The Group recognizes assets and liabilities as disposal groups if the assets and liabilities directly associated with these assets are to be disposed of as a group, by sale or otherwise, and if the criteria set out in IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" have been met in their entirety. The assets and liabilities of the disposal group are presented separately in the statement of financial position as "Assets held for sale" and "Liabilities with regard to assets held for sale." Reclassifications of intangible assets, property, plant, and equipment, and financial assets are presented in "Other changes" relating to the respective items included in the Fixed Assets Schedule of the Group. The expenses and revenues of a disposal group are included in profit or loss from continuing operations up to the date of disposal, unless the disposal group qualifies for reporting as a discontinued operation.

A disposal group is measured initially according to the relevant provisions set out in IFRS. Subsequently, the resulting carrying amount of the group is compared with the net fair value for the purpose of determining the lower of its carrying amount. Impairments resulting from the initial classification as held for sale as well as subsequent impairment losses and reversals are accounted for in profit and loss up to the amount of the cumulative impairment loss.

If changes to the plan of sale mean that the criteria for classification as a disposal group are no longer met, the separate presentation of assets and liabilities of the disposal group in the line items "Assets held for sale" and "Liabilities with regard to assets held for sale" for the prior year is retained; the assets and liabilities of the disposal group are only re-presented under the separate items of the statement of financial position for the annual period under review. In this case, the disposal group is measured at the lower of amortized cost and the recoverable amount. The disposal group also includes goodwill acquired as part of a business combination if the disposal group constitutes a cash-generating unit and goodwill was allocated to this cash-generating unit. If the disposal group only constitutes part of the cash-generating unit, goodwill is allocated to said cash-generating unit on a pro rata basis; it is presented in "Assets held for sale."

NOTES TO THE GROUP INCOME STATEMENT.

(1) Net Sales.

Net sales are comprised as follows:

€k

	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
Hardware	1,062,147	216,348
Software/Services	1,337,699	351,002
	2,399,846	567,350

(2) Gross Profit.

Gross margin on net sales amounts to 20.4% (short 2017: 24.8%) and is 4.4 percentage points lower compared with the previous fiscal year.

The foreign currency gains and losses of €666k (short 2017: €1,166k) shown in the Group income statement are essentially comprised within the cost of sales.

(3) Selling, General and Administration Expenses.

These mainly comprise personnel expenses and general costs in selling and administrative departments, plus miscellaneous taxes.

(4) Other operating income/Other operating expense.

As a consequence of the DN2020 transformation program continued in fiscal 2018, entities in selected countries were amalgamated in order to present a consistent image as Diebold Nixdorf within the markets in question and streamline administrative costs associated with duplicate legal structures in a specific country. As part of these measures, Diebold Nixdorf AG disposed of specific entities and individual assets by means of asset deals.

In fiscal 2018, net other operating expense amounted to €18,116k (short FY 2017: net other operating income of €12,157k). Of the other operating income of €16,551k (short FY 2017: €14,277k) contained in the aforementioned net amount, a sum of €12,941k was attributable to the results from deconsolidating entities in Europe and the Americas. This is to be seen within the context of the disposal or reduction in interests in these entities and the associated loss of control. Additionally, income of €1,975k was generated from the disposal of assets and business units in the Americas and Asia within the Diebold Nixdorf, Inc. Group.

As regards other operating expenses of €34,667k (short FY 2017: €2,120k), a total of €12,723k was attributable to the deconsolidation of entities in Europe and Asia, resulting from the disposal or reduction of interests in these entities and the associated loss of control. Due to the integration measures and the associated relocation of functions, additional expenses of €12,811k were incurred as part of intragroup charges. In addition, goodwill had to be written down by €4,171k, as this amount is no longer considered to be covered by the expected development of business.

(5) Finance Income and Finance Costs.

Finance income and finance costs are comprised as follows:

€k

	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
Income from securities and other income	149	284
Interest and similar income	4,231	1,220
Finance income	4,380	1,504
Interest and similar expenses	-5,354	-953
Interest element within additions to long-term accruals and other finance costs	-911	-466
Finance costs	-6,265	-1,419
	-1,885	85

(6) Income Taxes.

€k

	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
Current taxes on income and profit	-24,884	-7,565
Deferred tax income and expenses	-2,563	-4,133
	-27,447	-11,698

The amounts for current taxes on income and profit relate, within Germany, to corporate income tax and municipal corporate income tax, plus proceeds from partial release of tax accruals made during the previous year and, in the case of foreign subsidiaries, income-related taxes calculated in accordance with the national tax legislation applicable to the individual companies.

Included in current taxes on income and profit are non-periodic tax incomes amounting to €4,778k (short 2017: €2,532k).

The deferred taxes are the result of time-related variances in reported values between the tax accounts of individual companies and the values of the Group balance sheet, using the liability method, plus capitalization of tax losses capable of being carried forward. In reviewing the amount of a deferred tax asset recognized in the balance sheet, it is crucial to assess whether it is probable that temporary differences will reverse and tax losses carried forward will be utilized, being the basis for the recognition of deferred tax assets. This is dependent on future taxable profits arising in those periods when taxable temporary differences reverse and tax losses carried forward may be utilized. Based on past experience and the projected development of taxable profit, Diebold Nixdorf AG assumes that the corresponding benefits associated with deferred tax assets will be realized. A deferred tax asset will be recognized to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered. As of December 31, 2018, tax losses carried forward exist in the amount of €70,921k (short 2017: €40,496k) and temporary differences in the amount of €529k (short 2017: €12k) on which no deferred tax asset has been capitalized. Tax losses amounting

to €23,925k (short 2017: €16,497k) for which no deferred tax assets were recognized account for the period until 2027.

Actual tax expenses for the fiscal year 2018 are €8.815k above of (short 2017: €7.054k below) those which would be expected to be arrived at through the application of the ultimate parent company's tax rate.

As of December 31, 2018, unchanged to the previous year, all German deferred taxes were calculated in respect of temporary differences using a combined tax rate of rounded 30%. The reported value of all deferred taxes on tax losses carried forward was arrived at by using tax rates as, in the previous year, of 14% for municipal corporate income tax and 16% for corporation tax and solidarity tax.

The table below contains a reconciliation of expected net tax expenses to the actual reported tax:

€k

	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
Profit before income taxes	62,106	62,505
Expected tax expenses based on a tax rate of 30%	-18,632	-18,752
Differences from expected tax expenses		
Difference to local tax rates	81	856
Decreases/increases in tax due to tax-exempt income and non-tax-deductible expenses	-3,933	6,479
Corrections relating to other periods and other effects	9,822	816
Changes of allowances/non-recognition of deferred taxes on current losses and temporary differences	-11,583	-876
Usage of deferred tax assets not recognized in previous years	220	0
Other	-3,422	-221
Total adjustments	-8,815	7,054
Actual tax expenses	-27,447	-11,698

The effective tax rate is 44.2% (short 2017: 18.7%).

The deferred tax assets and liabilities relate to the following balance sheet items:

€k

	Dec. 31, 2018		Dec. 31, 2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	19,630	68,290	20,194	68,132
Property, plant and equipment	7,186	713	5,794	618
Investments	566	817	656	745
Inventories	9,570	3,117	7,507	2,743
Receivables and other current assets	3,128	6,378	1,711	6,467
Pension accruals	28,102	1,454	25,568	3,157
Other accruals	14,360	5,132	17,642	1,201
Liabilities	9,626	708	8,213	1,590
Losses carried forward	67	0	1,679	0
Other	1,746	0	1,181	1,837
	93,981	86,609	90,145	86,490
Netting off of deferred tax assets and liabilities	-61,192	-61,192	-62,577	-62,577
	32,789	25,417	27,568	23,913

The changes in deferred tax assets and liabilities shown above are recognized in profit or loss with the following exceptions, which are charged directly to equity:

In the deferred tax assets to pension accruals revaluations of the net defined liability with an equity increasing effect of €14,944k (short 2017: €12,176k) are included.

Changes in equity to the fair value of financial instruments that meet the requirements of IAS 39 for hedge accounting had an equity-enhancing effect of deferred taxes in the amount of €680k (short 2017: €572k) and are presented in the deferred tax liabilities to receivables and other assets in the amount of €174k (short 2017: €700k) and the deferred tax assets to liabilities of €854k (short 2017: €1,272k).

(7) Earnings per Share.

Earnings per share are calculated by dividing profit or loss attributable to shareholders of Diebold Nixdorf AG by the weighted average number of shares outstanding.

A dilution of earnings per share due to share-based payment programs is ruled out, as all of the current share-based payment programs (see Note [21]) will not be settled in shares but in cash payments, based on contractual agreements with Diebold Nixdorf, Inc.

	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
Profit attributable to equity holders of Diebold Nixdorf AG (€k)	37.414	50.303
Number of shares outstanding as of January 1 (in thousands)	29.816	29.816
Number of shares outstanding as of December 31 (in thousands)	29.816	29.816
Weighted average number of shares outstanding (in thousands)	29.816	29.816
Diluted earnings per share (€)	1,25	1,69

NOTES TO THE GROUP BALANCE SHEET.

(8) Intangible Assets.

Changes in intangible assets were as follows:

€

	Commercial patents and similar rights/items plus licenses to such rights/items	Internally generated intangible assets	Goodwill	Advances made	Total
Cost of acquisition or production					
Balance as of October 1, 2017	57,649	21,532	340,486	220	419,887
Currency translation	-224	57	-118	0	-285
Additions to consolidation group	0	0	349	0	349
Disposals to consolidation group	-171	0	0	0	-171
Additions	20,408	4,914	0	0	25,322
Reclassification	759	0	0	-220	539
Disposals	-3	0	0	0	-3
Balance as of December 31, 2017/ January 1, 2018	78,418	26,503	340,717	0	445,638
Currency translation	354	-44	-44	0	266
Additions to consolidation group	185	0	0	0	185
Additions	7,425	20,152	50	26	27,653
Reclassification	262	0	0	0	262
Other changes	-144	-23,319	514	0	-22,949
Disposals	-6,188	0	-81	0	-6,269
Transfers	16	0	0	0	16
Balance as of December 31, 2018	80,328	23,292	341,156	26	444,802
Depreciation					
Balance as of October 1, 2017	43,012	3,527	301	0	46,840
Currency translation	-228	0	0	0	-228
Additions to consolidation group	0	0	17	0	17
Disposals to consolidation group	-168	0	0	0	-168
Depreciation for the fiscal year	2,175	1,480	0	0	3,655
Disposals	-2	0	0	0	-2
Balance as of December 31, 2017/ January 1, 2018	44,789	5,007	318	0	50,114
Currency translation	375	-11	0	0	364
Additions to consolidation group	91	0	0	0	91
Depreciation for the fiscal year	10,047	9,973	4,171	0	24,191
thereof Impairment	0	0	4,171	0	4,171
Reclassification	-1	0	0	0	-1
Other changes	-142	-10,758	0	0	-10,900
Disposals	-5,896	0	0	0	-5,896
Transfers	16	0	0	0	16
Balance as of December 31, 2018	49,279	4,211	4,489	0	57,979
Carrying amount as of December 31, 2018	31,049	19,081	336,667	26	386,823
Carrying amount as of December 31, 2017	33,629	21,496	340,399	0	395,524

The additions during the fiscal year 2018 relate to the acquisition of new property rights, similar rights and values as well as licenses for such rights and values in the amount of €7,425k (short 2017: €20,408k), and internally generated intangible assets with an amount of €20,152k (short 2017: €4,914k).

Additions to property rights include acquired software with an amount of €4,018k. In the previous year, €19,191k of the additions of rights were attributable to WINCOR NIXDORF International GmbH, Paderborn from the acquisition of customer contracts within the Diebold Nixdorf, Inc.-Group for the region EMEA.

Within the additions of internally generated intangible assets the amount of €5,664k (short 2017: €2,358k) is attributable to the AEVI business unit for the development of new technology in the field of cashless payment and €13,455k (short 2017: €2,556k) to WINCOR NIXDORF International GmbH, Paderborn for software development in regards to operation of ATMs and cashier systems.

The net changes in the consolidation group of patents and licenses are mainly attributable to the first-time consolidation of Altus Bilisim Hizmetleri Anonim Sirketi, Ankara (Turkey).

The other changes include the intangible assets of the companies for which the requirements of IFRS 5 are met at the respective balance sheet date.

(9) Property, Plant and Equipment.

Changes in property, plant and equipment were as follows:

	Land, buildings, and other equivalent rights	Plant and machinery	Other fixed assets and office equipment	Products leased to customers	Equipment under construction	Total
Cost of acquisition or production						
Balance as of October 1, 2017	54,717	42,317	336,113	10,278	4,523	447,948
Currency translation	-59	-41	-332	38	0	-394
Additions to consolidation group	297	0	4,014	0	0	4,311
Disposals to consolidation group	0	-4	-294	0	0	-298
Additions	339	619	13,761	77	419	15,215
Reclassification	0	0	3,506	0	-4,045	-539
Others	194	14	534	0	0	742
Disposals	-3,015	-563	-3,811	-1,339	0	-8,728
Balance as of December 31, 2017/						
January 1, 2018	52,473	42,342	353,491	9,054	897	458,257
Currency translation	115	45	699	60	29	948
Additions to consolidation group	0	25	778	0	0	803
Disposals to consolidation group	-1,251	-45	-1,174	0	0	-2,470
Additions	2,504	933	25,708	465	2,578	32,188
Reclassification	304	223	252	0	-1,041	-262
Others	574	-1,637	917	-562	0	-708
Disposals	-763	-1,082	-19,009	-1,406	0	-22,260
Transfers	531	1,117	828	0	0	2,476
Balance as of December 31, 2018	54,487	41,921	362,490	7,611	2,463	468,972
Depreciation						
Balance as of October 1, 2017	34,650	33,089	269,840	7,829	0	345,408
Currency translation	-48	-34	-321	36	0	-367
Additions to consolidation group	206	0	3,054	0	0	3,260
Disposals to consolidation group	0	-3	-214	0	0	-217
Depreciation for the fiscal year	718	529	7,816	179	0	9,242
Others	194	5	504	0	0	703
Disposals	-2,619	-546	-3,501	-942	0	-7,608
Balance as of December 31, 2017/						
January 1, 2018	33,101	33,040	277,178	7,102	0	350,421
Currency translation	113	47	698	59	0	917
Additions to consolidation group	0	24	406	0	0	430
Disposals to consolidation group	-1,121	-45	-1,008	0	0	-2,174
Depreciation for the fiscal year	2,827	2,279	33,337	637	0	39,080
Reclassification	155	129	-283	0	0	1
Others	571	166	-997	-562	0	-823
Disposals	-533	-847	-18,240	-1,100	0	-20,720
Transfers	209	858	671	0	0	1,738
Balance as of December 31, 2018	35,322	35,651	291,762	6,136	0	368,870
Carrying amount as of December 31, 2018	19,165	6,270	70,728	1,475	2,463	100,102
Carrying amount as of December 31, 2017	19,372	9,302	76,313	1,952	897	107,836

Additions to property, plant and equipment are valued at €32,188k (short 2017: €15,215k), with large individual elements of this being other fixed assets and office equipment at €25,708k. These are essentially IT equipment and specialist tools,

The net changes in the scope of consolidation are attributable to newly consolidated or deconsolidated companies. The additions to the scope of consolidation relate to Altus Bilisim Hizmetleri Anonim Sirketi, Ankara, Turkey. The disposals via deconsolidation relate to Diebold Nixdorf Portugal, Unipessoal, Lda., Carnaxide (Portugal), WINCOR NIXDORF S.A. de C.V., Mexiko City (Mexiko), Wincor Nixdorf India Private Ltd., Mumbai (India), Diebold Nixdorf Global Solutions B.V., Utrecht (The Netherlands) and Diebold Nixdorf Software CV, Utrecht (The Netherlands).

Products leased to customers concern ATMs, which are leased in the scope of operating lease contracts. The minimum lease periods are between three and ten years, partially with extension options.

The net changes due to transfers are caused by mergers of several companies in the course of the transformation program "DN2020".

The other changes include the property, plant and equipment of the companies for which the requirements of IFRS 5 are met at the respective balance sheet date.

The future minimum lease payments under all non-redeemable lease agreements are as follows:

€k

	Dec. 31, 2018	Dec. 31, 2017
Residual term up to 1 year	7,537	8,069
Residual term between 1 and 5 years	3,480	8,643
Residual term more than 5 years	284	671
	11,301	17,383

(10) Investments and Investments Accounted for Using the Equity Method.

Among investments additionally non-consolidated subsidiaries, interests, loans, and other receivables are recorded in these positions.

The investment in associated company Aisino-Wincor recognized by use of at equity method was depreciated at the end of fiscal 2018. At December 31, 2017 the carrying amount of the investment was €13,841k. The held shares amounting to 43.6%.

The 25% investment in CI Tech Components AG, Burgdorf (Switzerland) was sold in the year under review.

The 6% interest in WINCOR NIXDORF Immobilien GmbH & Co. KG, Paderborn, is – unchanged to the previous year – accounted for "financial assets at fair value through profit or loss (FVO)." The net book value as of December 31, 2018 amounts to €1,091k (short 2017: €1,441k). This investment does not have a quoted market price in an active market; therefore existing contractual settlements were used in order to calculate the fair value.

Further investments are made in the amount of € 2,641k for Diebold Nixdorf India Private Limited, Mumbai (India; 11.71%) and €7,197k for Diebold Nixdorf de Mexico S.A. C.V., Mexico City (Mexico; 6.56%). The investments result from the merger of the respective national companies due to the transformation program "DN2020".

In addition investments in non-consolidated subsidiaries amount to €104k (short 2017: €45,215k). The decrease in comparison to December 31, 2017 of €45,111k mainly results from mergers and first time consolidation of subsidiaries.

(11) Reworkable Service Parts.

Where necessary, the lower net realizable value was used, with due regard to selling and production costs still to be incurred. The total book value of reworkable service parts, valued as of December 31, 2018, at their lower of cost and net realizable value, was €30,550k (short 2017: €32,608k). Write-down of reworkable service parts reported under cost of sales is €4,390k (short 2017: €1,077k).

(12) Receivables and Other Assets.

Trade receivables are comprised as follows:

€k

	Dec. 31, 2018	Dec. 31, 2017
Trade receivables, gross	402,814	342,089
less: allowance for doubtful accounts	-23,363	-18,474
Trade receivables, net	379,451	323,615

Trade receivables with an amount of €11,967k (short 2017: €6,310k) become due after one year.

With the first-time application of IFRS 9, the previous determination of impairment losses has been reversed based on the consideration of incurred losses (incurred loss model) towards a model based on expected credit losses (expected credit loss model). Diebold Nixdorf AG applies the simplified impairment model of IFRS 9 for these assets and recognizes the expected losses over the entire term.

The effects of the conversion of the new impairment method of IFRS 9 are recognized in retained earnings as of January 1, 2018. The development of allowances for trade receivables in the financial year are shown in the following tables:

Changes in allowances according to IAS 39

€k

October 1, 2017	-21,605
Changes in allowances affecting net income in short fiscal period 2017	3,131
December 31, 2017	-18,474

Transition of allowances due to first implementation of IFRS 9

€k

Allowances according to IAS 39 as of December 31, 2017	-18,474
Transition effects due to first application of IFRS 9 as of January 1, 2018	-502
Allowances according to IFRS 9 as of January 1, 2018	-18,976

Changes in allowances according to IFRS 9

€k

Allowances according to IFRS 9 as of January 1, 2018	-18,976
Changes in allowances affecting net income in fiscal 2018	-4,387
December 31, 2018	-23,363

On the balance sheet date, trade receivables which are past due but not impaired, exist as follows:

€k

	Past due 1 - 30 days	Past due 31 - 180 days	Past due more than 180 days
December 31, 2018	50,500	25,539	3,699
December 31, 2017	53,486	34,026	1,629

With respect to trade receivables as at the balance sheet date past due but not impaired, there are no indications that customers will not be able to meet their obligations, based on credit history and

current credit ratings. This also applies to the trade receivables that are neither past due at the balance sheet date nor impaired.

Trade receivables comprise receivables from finance leases in the amount of €21,577k (short 2017: €10,022k). The leasing contracts are originally concluded for a term of up to ten years. Allowances for finance lease receivables amounted to €168k (short 2017: €101k) in the fiscal year 2018.

**Residual Terms of Present Value of
Minimum Lease Payments Receivable.**

€k

	Dec. 31, 2018	Dec. 31, 2017
Residual term up to 1 year	9,610	4,509
Residual term between 1 and 5 years	9,834	5,477
Residual term more than 5 years	2,133	36
	21,577	10,022

**Residual Terms of
Total Gross Investment in the Lease.**

€k

	Dec. 31, 2018	Dec. 31, 2017
Residual term up to 1 year	10,955	4,826
Residual term between 1 and 5 years	11,372	5,733
Residual term more than 5 years	2,274	37
Unearned finance income	-3,024	-574
Present value of minimum lease payments receivable	21,577	10,022

Other receivables and other assets comprise the following:

€k

	Dec. 31, 2018		Dec. 31, 2017	
	Total	due > 1 year	Total	due > 1 year
Receivables from related companies	10,058	0	17,053	0
Receivables from affiliated companies	167,820	0	41,712	0
Current income tax assets	10,551	0	14,066	0
Other assets	115,232	39,462	126,431	36,605
	303,661	39,462	199,262	36,605

The increase of receivables from affiliated companies at the balance sheet date is mainly related to the increase of financial receivables in the course of the Group financing activities.

Other assets include the following items:

€k

	Dec. 31, 2018		Dec. 31, 2017	
	Total	due > 1 year	Total	due > 1 year
Sales tax	10,731	0	13,178	0
Surplus of plan assets	13,382	13,382	12,316	12,316
Prepaid expenses	28,968	5,326	31,255	6,798
Other	5,141	417	3,517	0
Other non-financial assets	58,222	19,125	60,266	19,114
Forward currency transactions	685	0	3,219	0
Receivables from employees	1,207	7	4,008	74
Other	55,118	20,330	58,938	17,417
Other financial assets	57,010	20,337	66,165	17,491
	115,232	39,462	126,431	36,605

The other financial assets include €14,480k (short 2017: €13,740k) cash and cash equivalents with limited disposability due to contractual obligations. In addition the other financial assets include receivables in connection with the sale of previously consolidated subsidiaries. These receivables decreased by €8,769k compared to previous year and stood at €23,626k at the end of the reporting period.

(13) Deferred Taxes.

Deferred taxes have been accrued for under the "temporary concept" in accordance with IAS 12 "Income Taxes," using the tax rates in force, approved, and known, as of the balance sheet date.

As of December 31, 2018, these items include deferred tax assets of €32,789k (short 2017: €27,568k) and deferred tax liabilities of €25,417k (short 2017: €23,913k), after netting off deferred tax liabilities with deferred tax assets. Deferred tax assets of €67k (short 2017: €1,679k) are the result of the probable future utilization of tax losses carried forward. Further explanatory notes on deferred tax assets are contained in Note ► 6.

(14) Inventories.

€k

	Dec. 31, 2018	Dec. 31, 2017
Raw materials and supplies	56,501	58,958
Unfinished goods	17,561	19,482
Finished goods and merchandise	135,624	190,050
Advances made	1,389	791
	211,075	269,281

Where necessary, the lower net realizable value was used, with regard to selling and production costs still to be incurred. The total book value of inventories valued as of December 31, 2017, at their lower of cost and net realizable value, was €83,667k (short 2017: €88,759k). Inventory impairment reported under cost of sales is €34,087k (short 2017: €2,365k).

(15) Cash and Cash Equivalents.

The cash in hand of €13,173k (short 2017: €15,654k) mainly includes test cash for automated teller machines and cash in connection with customer contracts. Bank demand deposits add up to €117,175k (short 2017: €104,645k). Checks amount to €8k (short 2017: €379k).

In addition, cash and cash equivalents of €6,840k (short 2017: €8,649k) were reported as "Assets held for sale".

(16) Assets held for Sale.

The transformation program DN2020 started in fiscal year 2016/2017 within the Diebold Nixdorf, Inc. Group was continued in the fiscal year 2018. Fundamental part of this program is the merge of companies in different countries in order to present a consistent image as Diebold Nixdorf within the market in question and streamline administrative costs that would incur through operating multiple legal entities in one country. Following companies fulfill the IFRS 5 conditions and have to be presented accordingly as disposal group as of December 31, 2018:

- WINCOR NIXDORF (Thailand) Co. Ltd
- WINCOR NIXDORF (Philippines) Inc.
- WINCOR NIXDORF IT Support S.A. de C.V. (Mexico)
- WINCOR NIXDORF Inc. (USA)
- WINCOR NIXDORF Soluceos em Tecnologia da Informacao Ltda. (Brazil)
- Wincor Nixdorf C.A. (Venezuela)
- IT SOLUCIONES INTEGRALES, C.A. (Venezuela)
- AEVI International GmbH (Germany)
- Aevi CZ s.r.o. (Czech)
- Aevi UK Limited (UK)

In December 2018, a contract was signed for the sale of 70% of the shares in Aevi International GmbH, Paderborn. The closing conditions as a condition for the sale have not yet been fully met.

Therefore following main groups have been stated separately in balance sheet under assets and liabilities as "Assets held for sale" and „Liabilities with regard to assets held for sale“ as of December 31, 2018:

	€k	
	Dec. 31, 2018	Dec. 31, 2017
Intangible assets as well as property, plant and equipment	12,667	732
Inventories	4,951	15,952
Trade receivables	8,420	25,250
Receivables from affiliated companies	15,848	16,170
Current income tax assets	826	5,520
Deferred tax assets	1,365	4,607
Other assets	1,654	2,054
Cash and cash equivalents	6,840	8,649
Assets held for sale	52,571	78,934
Accruals for pensions and similar commitments	245	30
Other accruals	1,980	5,058
Advances received	131	1,715
Trade payables	5,174	6,554
Liabilities to affiliated companies	8,576	4,123
Financial liabilities to affiliated companies	1,202	7,209
Financial liabilities	580	0
Current income tax liabilities	2,191	2,044
Other liabilities	13,278	8,622
Deferred tax liabilities	1,278	0
Liabilities with regard to assets held for sale	34,635	35,355

(17) Group Equity.

The changes in Group equity and individual elements thereof are shown in detail in the "Changes in Group Equity" table.

Distributions.

In contrast to the prior periods, no dividend was declared or paid in respect of the fiscal year or the short year under review. Due to the DPLTA with Diebold Nixdorf KGaA, which came into effect in the annual period under review, Diebold Nixdorf AG is prohibited from using for the purpose of a dividend payout its unappropriated retained earnings (*Bilanzgewinn*, i.e., its distributable profit) or any retained profits brought forward or other reserves created prior to the coming into effect of the domination and profit transfer agreement.

The DPLTA includes an obligation toward minority shareholders (i.e., non-controlling interests) of Diebold Nixdorf AG for the duration of the agreement in the form of a recurring compensation in cash. For each full fiscal year of Diebold Nixdorf AG the aforementioned shareholders shall receive, per Diebold Nixdorf AG no-par-value bearer share ("Stückaktien" governed by German law), each representing a notional value of €1.00 in share capital, a gross amount of €3.13 ("Gross Compensation Amount"), less possible deductions for corporation tax (*Körperschaftsteuer*) and solidarity surcharge (*Solidaritätszuschlag*) according to the tax rate applicable in respect of these taxes for the financial year in question ("Net Compensation Amount"). This deduction is to be made only in respect of any portion contained within the Gross Compensation Amount that relates to profits

that are subject to German corporate income tax. When rounded to a full-cent amount in accordance with commercial practice, this portion amounts to €1.97 per Diebold Nixdorf AG share. Based on the circumstances at the time of the conclusion of the domination and profit transfer agreement, this results in a recurring compensation of €2.82 for each Diebold Nixdorf AG share for an entire fiscal year of Diebold Nixdorf AG. For the avoidance of doubt, it is agreed that any withholding tax (such as capital gains tax plus solidarity surcharge thereon) shall be withheld from the net compensation amount to the extent required by law.

The recurring compensation is due on the first banking day following the respective Annual General Meeting (“AGM”) of Diebold Nixdorf AG for the preceding fiscal year, but in any event within eight months following the conclusion of the respective fiscal year. The next AGM of Diebold Nixdorf AG is not scheduled as of the release date of this report.

Under the terms of the DPLTA, Diebold Nixdorf AG is obliged to transfer to Diebold Nixdorf KGaA its fiscal year profit under commercial law (before profit/loss transfers) totalling €76,121k as of December 31, 2018 (short 2017: €42,741k), this amount had not been paid out to Diebold Nixdorf KGaA.

Capital Management.

As a matter of principle, Diebold Nixdorf AG pursues the Group’s reported equity only as a passive management parameter due to the DPLTA with Diebold Nixdorf KGaA agreed in fiscal year 2016/2017, because the aim of generating an appropriate return on capital through the contractual agreed profit and loss transfer of Diebold Nixdorf AG cannot be pursued any longer.

Subscribed Capital.

The capital stock is divided into 33,084,988 no-par shares (“Stückaktien” governed by German law). All shares issued up to and including December 31, 2018, are fully paid-up. Each share is granted equal voting rights and equal dividend entitlement. Changes in the number of shares issued and entitled to dividend were as follows:

Balance as of January 1, 2018 / December 31, 2018	29,816,211
Weighted average of shares in Period 01. Jan. 2018 - 31. Dec. 2018	29,816,211

Treasury Shares.

As of December 31, 2018, the total number of treasury shares held by the Company was 3,268,777. This equals 9.88 % of the subscribed capital. The acquisition costs (including ancillary costs of acquisition to the amount of €111k) amounting to €173,712k were deducted in full from equity.

Authorized Share Capital.

As the result of a resolution at the AGM on January 20, 2014, the Board of Directors had been authorized to increase the Company’s share capital with the Supervisory Board’s approval by up to €16,542,494 through the issue for cash and/or contributions in kind of new ordinary bearer shares under single or multiple initiatives up to January 19, 2019. This authorization was not used.

Contingent Share Capital.

The share capital is conditionally increased by up to €1,654,249, divided into up to 1,654,249 bearer shares ("Contingent Share Capital I 2014"). This Contingent Share Capital increase is to be used exclusively to cover stock options issued to members of the Company's Management Board, board members of subordinate associated companies within and outside of Germany, and to other executives and employees of the Company and its subordinate associated companies, as specified in detail in the authorization resolved by the AGM on January 20, 2014, and as detailed in the authorization resolved by the AGM on January 20, 2014, in the version amended by AGM resolution on January 25, 2016. It shall only be effected to the extent that bearers of share options exercise their right to subscribe for Company shares and the Company does not provide the consideration in cash or by means of its own shares. The new shares shall carry dividend rights from the beginning of the fiscal year in which they are issued. Should the issue take place before the ordinary AGM, the new shares shall be entitled to dividends for the previous fiscal year as well.

Retained Earnings.

Other retained earnings contain the cumulative profits made by the subsidiary companies included in the Group financial statements, the profit for the period, other consolidation reserves, reserves resulting from expired share-based payment programs, actuarial gains and losses recognized in other comprehensive income, and effects of the limit on plan assets as well as corresponding deferred tax effects.

Other Components of Equity.

Other components of equity consist of all amounts recognized directly in equity resulting from the translation of the financial statements of foreign subsidiaries, the effects of recognizing changes in the fair value of derivative financial instruments directly in equity, deferred taxes on items recognized directly in equity, as well as the additional funds received from the issue of shares.

Other Comprehensive Income.

The table below presents the development of other comprehensive income and the associated tax effects:

	Tax Effects Other Comprehensive Income.			€k		
	Jan. 1, 2018 - Dec. 31, 2018			Oct. 1, 2017 - Dec. 31, 2017		
	Gross result	Taxes	Net result	Gross result	Taxes	Net result
Cash flow hedges	-363	109	-254	-1,052	315	-737
Exchange rate changes - reclassified to profit or loss	-701	210	-491	16	0	16
Actuarial gains and losses	-9,041	2,712	-6,329	1,476	-479	997
Other comprehensive income	-10,105	3,031	-7,074	440	-164	276

(18) Non-controlling Interests.

All non-controlling interests are presented in detail in the “Changes in Group Equity” table.

The major non-controlling interests are the shares in the AEVI subgroup. The parent company is AEVI International GmbH, Paderborn. The summarized financial information according to IFRS constitutes information before eliminations between the other entities of the Group:

AEVI - Subgroup	€k	
	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
Net sales	38,679	14,863
Profit for the period	-21,364	-790
Profit attributable to non-controlling interests	-3,696	-106
Cash flow from operating activities	-3,607	2,573
Cash flow from investment activities	-5,671	-2,358
Cash flow from financing activities	9,362	-267
	Dec. 31, 2018	Dec. 31, 2017
Non-current assets	12,580	13,713
Current assets	14,402	43,064
Non-current liabilities	8,132	12,236
Current liabilities	13,678	17,925
Net assets	5,172	26,616
Net assets of non-controlling interests	16,803	19,564

(19) Accruals for Pensions and Similar Commitments.

For certain groups of employees of Diebold Nixdorf AG, post-employment benefit schemes are available. Schemes vary depending on the legal, economic, and tax environments of the respective country. They are primarily designed as defined benefit plans, but also as defined contribution plans. For defined benefit plans accruals for pensions and similar commitments are recorded for the net defined liability after taking account of amounts recognized as asset:

	€k	
	Dec. 31, 2018	Dec. 31, 2017
Present value of unfunded obligations	0	50,547
Present value of funded obligations	314,716	260,578
Fair value of plan assets	-247,123	-264,378
Net defined benefit liability	67,593	46,747
Therein amount recognized as asset	13,382	12,316
Accruals for pensions and similar commitments	80,975	59,063

The over-funding (amount recognized as asset) of €13,382k (short 2017: €12,316k) is presented under other non-current assets.

Defined benefit plans.

The significant defined benefit plans are arranged for employees in Germany. There are inter alia also defined benefit plans in the United Kingdom, France and Switzerland. In Germany, post-employment benefit schemes are set up as employer funded pension plans as well as deferred compensation plans.

With regard to employment law, the employer funded pension commitments in Germany are based upon direct performance-related commitments in terms of defined contribution plans. Each beneficiary receives, depending on individual pay-scale grouping, contractual classification, or income level, different yearly contributions. The contribution is multiplied by an age factor appropriate to the current pension scheme and credited to the individual retirement account of the employee. The retirement accounts may be used up at retirement by either a one-time pay-off or payments of ten years' installments at maximum. Insured events are disability, death and reaching of retirement age.

In June 2006, Diebold Nixdorf AG created plan assets according to IAS 19 as part of a Contractual Trust Arrangement ("CTA"), by transferring assets to a registered association (Alme Pension-Stiftung, formerly Wincor Nixdorf Pension Trust e. V.) in order to fund pension obligations to employees. The association is investing in current and non-current assets; this way considering the maturity structure of the underlying pension obligations. The funding strategy is reviewed regularly by analyzing asset development as well as the current situation of the financial market. The weighted average of benefit obligations plans is 10 years (short 2017: 11 years).

The only considerable risk to which the plans expose Diebold Nixdorf AG Group is the capital market development. The latter is influencing the discount rate for the valuation of the defined benefit obligations as well as the return on plan assets.

Change in Defined Benefit Obligation.

€k

	Dec. 31, 2018	Dec. 31, 2017
Present value of defined benefit obligation as of January 1	311,091	307,182
Current service cost	6,613	1,626
Past service cost	123	0
Interest cost	4,475	1,215
Effect of changes in demographic assumptions	534	0
Effect of changes in financial assumptions	-2,047	3,774
Effect of experience adjustments	3,456	-1,514
Pension payments	-13,700	-1,533
Member contributions	273	73
Divestitures/transfers	3,485	779
Exchange rate differences	413	-477
Present value of defined benefit obligation as of December 31	314,716	311,125

Change in Plan Assets.

€k

	Dec. 31, 2018	Dec. 31, 2017
Fair value of plan assets as of January 1	264,378	253,784
Interest income	3,857	989
Return on plan assets (excluding interest income)	-19,661	9,769
Member contributions	273	73
Employer contributions	859	180
Pension payments	-2,544	-122
Divestitures/transfers	-131	0
Exchange rate differences	92	-295
Fair value of plan assets as of December 31	247,123	264,378

For fiscal year January 1, 2019 to December 31, 2019, employer contributions to plan assets in the amount of €900k are expected.

Plan assets were invested in the following assets:

%

	Dec. 31, 2018	Dec. 31, 2017
Investment funds	47.3	29.0
Real estate funds	5.1	5.0
Real estate	6.4	6.5
Debt instruments	28.6	30.9
Other capital investments	0.3	0.4
Short-term financial investments	12.3	28.2

Plan assets do not contain any own financial instruments. The real estate is primarily not used by the Group. Investment funds, debt instruments, real estate funds and other investments have a quoted market price in an active market, whereas real estate and insurance contracts have not.

Net defined benefit liability reconciliation.

€k

	Dec. 31, 2018	Dec. 31, 2017
Net defined benefit liability as of January 1	46,747	53,398
Pension expenses	7,363	1,852
Actuarial gains/losses	21,595	-7,510
Pension payments	-11,156	-1,411
Employer contributions	-859	-180
Divestitures/transfers	3,198	779
Exchange rate differences	287	-181
Others	418	0
Net defined benefit liability as of December 31	67,593	46,747

Actuarial Assumptions.

With regard to the Group entities, the discount rate (weighted average) represents the significant actuarial assumption for the valuation of defined benefit obligations:

	%	
	Dec. 31, 2018	Dec. 31, 2017
Discount rate	1.6	1.5

Depending on the defined benefit plan, income and pension trends but also employee turnover assumptions are taken into consideration for the calculation of the defined benefit obligations. In addition, life expectancy assumptions based on current mortality tables are considered. The 2018G Heubeck Tables are used in Germany.

Sensitivity Analysis.

For Diebold Nixdorf AG Group, the sensitivity of the discount rate as the significant actuarial assumption has been identified on the lines of the determination of the present value of the defined benefit obligations. An increase or decrease in the assumed interest rate by 0.25 percentage points would have the following impact on the present value of the defined benefit obligations as of December 31, 2018:

	€m	
	Increase	Decrease
Change in discount rate by 0.25 percentage points	-8	8

Pension Expenses.

	€k	
	Jan. 1, 2018 - Dec. 31, 2018	1.10.2016 - 30.09.2017
Current service cost	6,613	1,626
Past service cost	123	0
Net interest	627	226
Pension expenses	7,363	1,852

Defined Contribution Plans.

Under defined contribution plans, an entity pays fixed contributions and does not assume any other obligations. The personnel expenses of the fiscal year 2018 include expenses for defined contribution plans in the amount of €29,447k (short 2017: €8,067k).

(20) Other Accruals.

€k

	Dec. 31, 2017	Currency variances/ transfers	Draw- downs	Releases	Additions	Accumu- lation	IFRS 5	Dec. 31, 2018
Non-current other accruals								
Personnel obligations	11,509	-2,358	-5,166	0	5,408	276	0	9,669
Environmental protection obligations	5,352	-1,212	0	0	0	0	0	4,140
Warranties	3,747	-1,991	0	0	0	0	-96	1,660
Onerous contracts	1,011	0	0	0	0	0	0	1,011
Other miscellaneous accruals	3,786	-1,879	0	0	7	0	0	1,914
Total non-current other accruals	25,405	-7,440	-5,166	0	5,415	276	-96	18,394
Current other accruals								
<i>Current accruals associated with sales and procurement markets</i>								
Warranties	24,892	559	-11,640	-10,562	11,955	0	11	15,215
Onerous contracts	2,314	0	-983	-201	1,039	0	0	2,169
Delay and contract penalties	3,239	-460	-1,377	-1,448	1,435	0	0	1,389
Miscellaneous	14,237	-2,293	-3,452	-2,061	10,942	0	0	17,373
Total current accruals associated with sales and procurement markets	44,682	-2,194	-17,452	-14,272	25,371	0	11	36,146
Accruals for personnel obligations	66,507	1,288	-35,388	-6,641	34,347	16	-187	59,942
Accruals for other taxes	912	-34	-884	0	0	0	148	142
Other miscellaneous accruals	24,368	3,766	-6,048	-7,149	11,569	29	3,202	29,737
Total current other accruals	136,469	2,826	-59,772	-28,062	71,287	45	3,174	125,967
Total other accruals	161,874	-4,614	-64,938	-28,062	76,702	321	3,078	144,361

The accruals are based on estimations due to historical information for similar circumstances. The Group expects that majority of the accruals will be settled in coming fiscal year.

Other provisions include restructuring costs for personnel in the amount of €21,464k (short 2017: €24,461k).

The accruals for personnel have been created essentially for pre-retirement part-time working arrangements, vacation and flextime not taken, service anniversary awards, as well as severance payments. As a means of entering into early retirement, several German legal entities offer a company-subsidized pre-retirement part-time working scheme using the "block model." The term of the scheme is between two and six years, and entry to the scheme is permitted no earlier than the employee's 55th birthday. Essentially, during the working phase, the employee performs full duties on half pay. During the release phase, the employee no longer works, but receives the remaining 50% of his or her remuneration. The employer subsidy takes the form of topping up of remuneration and contributions to social pension insurance. The insolvency protection has been handled by a guarantee agreement closed with a bank.

Accruals for environmental protection obligations are recognized according to statutory regulations for the waste disposal of products put into circulation.

Warranty accruals are created in respect of product warranty obligations, which are prescribed by statute or contractually agreed, or which have arisen de facto.

Other current miscellaneous accruals contain obligations associated with pending legal proceedings and accruals for costs associated with year-end closing.

(21) Liabilities.

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	Total	Residual term		
		up to 1 year	between 1 and 5 years	more than 5 years
Financial liabilities	5,791 (2,708)	3,653 (1,558)	2,138 (1,150)	0 (0)
Financial liabilities to affiliated companies	343,451 (221,409)	340,912 (221,409)	2,539 (0)	0 (0)
Advances received	20,892 (11,239)	20,892 (11,239)	0 (0)	0 (0)
Trade payables	278,357 (261,344)	278,298 (260,807)	59 (194)	0 (343)
Liabilities to affiliated companies	23,743 (27,787)	23,743 (27,787)	0 (0)	0 (0)
Liabilities to related companies	10,753 (19,515)	10,753 (19,515)	0 (0)	0 (0)
Current income tax liabilities	23,594 (40,053)	23,594 (40,053)	0 (0)	0 (0)
Other liabilities	257,309 (320,687)	209,040 (206,389)	48,269 (114,298)	0 (0)
	963,890 (904,742)	910,885 (788,757)	53,005 (115,642)	0 (343)

Last year's equivalent figures are shown in brackets.

Financial Liabilities.

Financial liabilities consist of bank liabilities and liabilities from finance leases. The bank liabilities are shown at amortized costs. These are generally reflecting fair values.

Bank liabilities as of the balance sheet date came to a total of €5,787k (short 2017: €2,540k), Liabilities from finance leases amount to €3k (short 2017: €168k) as of the balance sheet date. The referring assets are disclosed in property, plant and equipment as other fixed assets and office equipment amounting to €0k (short 2017: €219k).

Following the business combination with Diebold Nixdorf, Inc., a contract for a revolving credit facility of €300,000k with a term until August 8, 2021, was concluded on August 8, 2016, with Diebold Self-Service Solutions S.A.R.L. ("Diebold S.A.R.L."). As of the balance sheet date, €93,849k (short 2017 €42,008k) had been drawn from the revolving credit facility, including an amount of €1,209k (short 2017: €7,209k) reclassified to "Liabilities with regard to assets held for sale".

**Residual Terms of Present Value
of Minimum Lease Payments.**

€k

	Dec. 31, 2018	Dec. 31, 2017
Residual term up to 1 year	3	168
Residual term between 1 and 5 years	0	0
	3	168

**Residual Terms of Future Total
Minimum Lease Payments.**

€k

	Dec. 31, 2018	Dec. 31, 2017
Residual term up to 1 year	3	173
Residual term between 1 and 5 years	0	0
Interest	0	-5
Present value of minimum lease payments	3	168

Other Liabilities.

Breakdown of Other Liabilities.

€k

	Total	Residual term		
		up to 1 year	between 1 and 5 years	more than 5 years
Deferred income	93,851 (128,815)	79,234 (81,687)	14,617 (47,128)	0 (0)
Other tax liabilities	42,088 (59,832)	40,230 (46,282)	1,858 (13,550)	0 (0)
Social security liabilities	12,314 (8,715)	12,314 (8,715)	0 (0)	0 (0)
Other non-financial liabilities	148,253 (197,362)	131,778 (136,684)	16,475 (60,678)	0 (0)
Liabilities to employees	49,381 (36,290)	49,381 (36,290)	0 (0)	0 (0)
Interest rate derivatives	3,178 (4,569)	0 (0)	3,178 (4,569)	0 (0)
Forward currency transactions	553 (1,963)	553 (1,963)	0 (0)	0 (0)
Liabilities for share-based payment	10,444 (16,889)	3,671 (1,285)	6,773 (15,604)	0 (0)
Put-option of non-controlling interests	27,097 (36,951)	5,254 (3,504)	21,843 (33,447)	0 (0)
Others	18,403 (26,663)	18,403 (26,663)	0 (0)	0 (0)
Other financial liabilities	109,056 (123,325)	77,262 (69,705)	31,794 (53,620)	0 (0)
	257,309 (320,687)	209,040 (206,389)	48,269 (114,298)	0 (0)

Last year's equivalent figures are shown in brackets. Further explanatory notes on the other financial liabilities are to be found in Note ► 22.

Share-based Payment Program.

Diebold Nixdorf AG has set up 13 share-based payment programs for managers since 2004 (2004 - 2016). The following conditions have to be applied to programs 2015 and 2016:

The vesting period of the share options is four years. Each share option entitles the bearer to purchase one share in the Company at the exercise price (strike price). There is no limit to the profit which can accrue upon purchase. In each case, the exercise price is equivalent to 112% of the average exchange price on the 30 stock exchange trading days that immediately preceded the issue of stock options on, March 25, 2015 (program 2015) and April 12, 2016 (program 2016) (program 2015: €43.93, program 2016: €53.12). The share-based payment program takes account of distributions made during the life of the options, such as dividend payments and any drawing rights or other special rights. The target criteria has not been changed during the life of the programs until now. The options can be exercised within a period of ten stock exchange trading days commencing on the first stock exchange trading day following expiration of the holding period of four years (exercise period). The vesting conditions also stipulate that the declaration of exercise may or must be issued during the specified vesting period of four years, within the last ten stock exchange trading days in XETRA on the Frankfurt Stock Exchange, effective from the end of the last day of the vesting period or a later date. Basically, the holder of the option has to remain in the Company's employ until the end of the vesting period.

All share based payment programs are classified and accounted for as an obligation to settle in cash since fiscal year 2015/2016. Please refer to the disclosure under "Share option reclassification" in prior year in the "Changes in Group Equity" table. Until each obligation is settled, the fair value will be remeasured on each reporting date and added in instalments over time. Changes resulting from the measurement will be recognized through profit or loss.

The fair values of the ongoing share-based payment programs were calculated by an external expert using the Black-Scholes formula. The underlying assumptions for the ongoing programs are as follows:

	Program 2016	Program 2015
Granted share options	714,470	717,048
Exercise price of the option at grant date	€59.49	€49.20
Expected volatility	19.26%	19.26%
Option life	4 years	4 years
Expected dividends	€8.46	€5.64
Risk-free interest rate	0.01%	0.01%
Fluctuation rate	2.8%	2.8%

The total gain recognized in the reporting period for all ongoing share-based payment programs amount to €605k (short 2017: €244k expenses). In addition to the gain for the measurement of the ongoing share-based payment programs as of the reporting date, these total expenses also include the expenses from the measurement of the 2014 share-based payment program that expired in March 2018. The overall obligation from the ongoing share-based payment programs 2015 - 2016, recognized as a financial liability, totals €313k.

Share options reported as of December 31, 2018, consist of options from share-based payment programs 2015 to 2016. The program 2015 will expire in March 2019 and the program 2016 in March 2020. The weighted average residual term of the programs is less than 1 year.

The vesting period for the 2014 share-based payment program expired on March 26, 2018. Of the 678,361 stock options issued, 60,682 options have been exercised. The exercise price, including dividends, was €59.48. The relevant share price was calculated on the basis of the unweighted average of the share price in the Xetra trading system at the Frankfurt Stock Exchange in the closing auction of the 30 trading days directly, in front of the exercise date and amounts to €67.52. The resulting profit per option is €8.04. The options were settled in cash.

The expected volatility was calculated as the average of the historic volatilities of EUREX options to the Diebold Nixdorf AG share for 3-month and 12-month periods.

The changes in the composition of share options are as follows:

	1.01.2018 - 31.12.2018		1.10.2017 - 31.12.2017	
	Number	Average exercise price €	Number	Average exercise price €
As of January 1 (Short fiscal: October 1)	110,163	60.29	110,163	60.29
Exercised during the period	60,682	62.94	0	---
Expired during the period	12,481	62.94	0	---
As of December 31	37,000	54.76	110,163	60.29
Exercisable as of December 31	0	---	0	---

“Performance-based cash incentive awards” (in the following “DN Performance Awards”).

On April 25, 2017, in order to align incentive compensation, the Compensation Committee of the Board of Directors of Diebold Nixdorf, Inc. approved a one-time offer to certain employees to replace employees’ outstanding Diebold Nixdorf AG share options with performance-based cash incentive awards (“DN Performance Awards”). The grant of the DN Performance Awards was contingent on the employee’s agreement to cancel the outstanding share options. The Diebold Nixdorf AG options subject to the above offer were those vesting in March of 2019 and 2020 respectively. Each tranche of share options had a different vest date and a different "in the money" value, and so each tranche was replaced with a DN Performance Award that had the same measurement date (2019 or 2020, for example). In addition, each award is structured to approximate the original “in-the money” value of the cancelled share options at target, the option “under water” line at threshold, and a maximum at approximately 155% of the Diebold Nixdorf, Inc. stock price.

The DN Performance Awards were based on a Diebold Nixdorf, Inc. stock price of \$26.18. In the event of a declining Diebold Nixdorf, Inc. share price, payouts only occur down to a specific threshold, Diebold Nixdorf, Inc. average share price determined individually for each plan based on the value of the “under water” options. If the share price falls below this threshold level in the respective exercise period, no payment is made. The relevant share price is determined on the basis of the average closing prices of Diebold Nixdorf, Inc. shares on the New York Stock Exchange (NYSE) within 20 exchange trading days up to and including the final trading day of the respective exercise period.

Other Share-Based Programs.

In addition to DN Performance Awards program a number of Diebold Nixdorf AG employees participate in the "Diebold Nixdorf, Incorporated Amended and Restated 1991 Equity and Performance Incentive Plan" (hereinafter referred to as "LTI Plan 1991") and, from 2018 onward, in the "2017 Equity and Performance Incentive Plan." As part of the LTI Plan 1991, these employees/members of the Management Board were granted performance-based shares, restricted stock units, and stock options as a long-term incentive component of compensation.

Performance-based shares (hereinafter referred to as PSUs): PSUs are granted on the basis of a three-year performance period (January 1, 2017, to December 31, 2019); they provide value based on the three-year Total Shareholder Return Ranking ("TSR Ranking") of the S&P 400 Midcap Index companies vs. Diebold Nixdorf, Inc. The number of shares vested at the end of the performance period can lie within a range of 0% and 200% of the target, based on the relative TSR Ranking in respect of the two target categories.

Restricted Stock Units (hereinafter referred to as RSUs): The purpose of these awards is to ensure retention of the beneficiaries services for a specified period of time and to enhance their incentive for meeting objectives defined by Diebold Nixdorf, Inc. RSUs vest ratably over a three-year period on the anniversary of the date of grant. The period during which RSUs are allocated covers three years in total. After each year, one-third (1/3) of the allocated RSUs shall vest and become non-forfeitable, and the corresponding volume of shares is credited to the securities deposit account of the employee. In those years in which the RSUs have not yet become non-forfeitable, the employee shall receive dividend equivalent payments as determined in the same manner as shareholders of Diebold Nixdorf, Inc. The non-forfeitable allocation of RSUs is linked solely to the retention of the employee's services for the Company, subject to certain holding restrictions. The value of each RSU at the date of allocation was determined according to the Diebold Nixdorf, Inc. shares as an unweighted average over a period of 20 exchange trading days immediately prior to the grant date.

Stock Options: Stock options provide value based solely on stock price appreciation. Grants of stock options have a ten-year term and vest ratably over a three-year period. The exercise price is based on the closing price of common shares on the grant date and is valued using the Black-Scholes stock option valuation method.

All share based payment programs are classified and accounted for as an obligation to settle in cash, as Diebold Nixdorf AG is obliged to compensate the entitled employees. Until each obligation is settled, the fair value will be remeasured on each reporting date and added in instalments over time. Changes resulting from the measurement will be recognized through profit or loss. In the fiscal year 2018 the total expenses out of these programs sums up to €6,228k (short 2017: €1,282k), the liability amounts to €10,131k (short 2017: €4,443k) as of December 31, 2018.

OTHER INFORMATION.

(22) Financial Instruments.

Financial instruments are contractual obligations to receive or deliver cash and cash equivalents. These include both primary and derivative financial instruments. Primary financial instruments include, in particular, cash and cash equivalents, trade receivables and payables, credits, and loans. Derivative financial instruments primarily include forward currency transactions and interest rate hedging instruments.

The following table "Reconciliation of the carrying amounts of financial instruments - first-time adoption of IFRS 9" shows the measurement categories according to IAS 39 (as of December 31 2017) and as well the reconciliation of the carrying amounts of the financial instruments according to IFRS 9 as of the conversion date January 1, 2018 for all classes of financial instruments in accordance with IFRS 9. The new approach for classifying and measuring of financial assets in accordance with IFRS 9 reflects the business model (held-to-collect, held-to-collect-and-sell, other) in which the assets are held and as well the characteristics of their cash flows (solely payments of principal and interest (SPPI criterion)).

The subsequent tables show the carrying amounts and fair values of the financial assets and liabilities for each category of financial instrument based on the requirements of IFRS 9 at the end of the financial year and IAS 39 for the comparative period and reconciles these to the corresponding balance sheet items. This item also includes the receivables and liabilities from finance leases as well as the derivatives with hedge accounting and the put options for non-controlling interests, even though they do not belong to any of the measurement categories of IFRS 9 or IAS 39. Since the balance sheet items "Other assets" and "Other liabilities" include both financial instruments and non-financial assets or liabilities (mainly prepayments for future services and receivables / liabilities from other taxes), the column "thereof outside IFRS 7" is used.

Reconciliation of the carrying amounts of financial instruments - first-time adoption of IFRS 9

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	Valuation category acc. to IAS 39	Book value acc. to IAS 39 Dec. 31, 2017	Valuation effects as of Jan. 1, 2018	Book value acc. to IFRS 9 Jan. 1, 2018	Valuation categories acc. to IFRS 9
Assets					
Cash and cash equivalents	LaR	120,678	0	120,678	At amortized costs (AC)
Trade receivables	LaR / n/a	323,615	-502	323,113	At amortized costs (AC)
<i>thereof: trade receivables</i>	LaR	313,593	-486	313,107	At amortized costs (AC)
<i>thereof: receivables from finance leases</i>	n/a	10,022	-16	10,006	Valuation acc. to IAS 17 taking into account the provisions for derecognition/allowance in acc. to IFRS 9
Receivables from affiliated companies	LaR	41,712	0	41,712	At amortized costs (AC)
Receivables from related companies	LaR	17,053	0	17,053	At amortized costs (AC)
Other assets		126,431	0	126,431	
<i>thereof: other non-financial assets</i>	n/a	60,266	0	60,266	n/a (valuation in acc. to IAS 1, IAS 12, IAS 19)
<i>thereof: other financial assets</i>	LaR	62,946	0	62,946	At amortized costs (AC)
<i>thereof: derivatives without a hedging relationship</i>	HfT	4	0	4	Fair value through Profit or Loss (FVTPL)
<i>thereof: derivatives with a hedging relationship</i>	n/a	3,215	0	3,215	n/a
Investments	LaR/AfS	49,200	0	49,200	Equity instruments at fair value (Fair value through Profit or Loss (FVTPL))
Liabilities					
Trade payables	FLAC	261,344	0	261,344	Financial liabilities at amortized costs (AC)
Liabilities to affiliated companies	FLAC	27,787	0	27,787	Financial liabilities at amortized costs (AC)
Liabilities to related companies	FLAC	19,515	0	19,515	Financial liabilities at amortized costs (AC)
Financial liabilities		2,708	0	2,708	
<i>thereof: liabilities from finance leases</i>	n/a	168	0	168	n/a (valuation in accordance with IAS 17)
<i>thereof: other financial liabilities</i>	FLAC	2,540	0	2,540	Financial liabilities at amortized costs (AC)
Other liabilities		320,687	0	320,687	
<i>thereof: other non-interest-bearing liabilities</i>	n/a	214,250	0	214,250	n/a (valuation acc. to IAS 1, IAS 12, IAS 19, IFRS)
<i>thereof: other interest-bearing liabilities</i>	FLAC	62,953	0	62,953	Financial liabilities at amortized costs (AC)
<i>thereof: Put-option of non-controlling interests</i>	n/a	36,951	0	36,951	Fair value through other comprehensive income (FVOCI)
<i>thereof: derivatives without a hedging relationship</i>	HfT	1,754	0	1,754	Fair value through Profit or Loss (FVTPL)
<i>thereof: derivatives with a hedging relationship</i>	n/a	4,778	0	4,778	n/a

Carrying Amounts, Amounts Recognized, and Fair Values by Measurement Category as of December 31, 2018.

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	Category in accordance with IFRS 9	Carrying amount	Thereof outside IFRS 7	Thereof amounts recognized in balance sheet according to IFRS 9			Thereof amounts recognized according to other standards*)	Fair value of financial instruments under IFRS 7
				Amortized cost	Fair value recognized in equity*)	Fair value recognized in profit or loss		
Assets								
Cash and cash equivalents	AC	130,356	0	130,356	0	0	0	130,356
Trade receivables	AC / n/a	379,451	0	357,874	0	0	21,577	379,451
<i>thereof: receivables from finance leases</i>	n/a	21,577	0	0	0	0	21,577	21,577
Receivables from affiliated companies	AC	167,820	0	167,820	0	0	0	167,820
Receivables from related companies	AC	10,058	0	10,058	0	0	0	10,058
Other assets	AC / n/a / FVTPL	115,232	58,222	52,930	0	72	4,009	57,010
<i>thereof: derivatives with a hedging relationship</i>	n/a	613	0	0	0	0	613	613
<i>thereof: derivatives without a hedging relationship</i>	FVTPL	72	0	0	0	72	0	72
<i>thereof: contract assets</i>	n/a	3,395	0	0	0	0	3,395	3,395
Investments	FVTPL / n/a	11,059	130	0	0	10,929	0	10,929
Liabilities								
Trade payables	AC	278,357	0	278,357	0	0	0	278,357
Liabilities to affiliated companies	AC	23,743	0	23,743	0	0	0	23,743
Liabilities to related companies	AC	10,753	0	10,753	0	0	0	10,753
Financial liabilities	AC / n/a	5,791	0	5,788	0	0	3	5,791
<i>thereof: liabilities from finance leases</i>	n/a	3	0	0	0	0	3	3
Financial liabilities to affiliated companies	AC	343,451	0	343,451	0	0	0	343,451
Other liabilities	AC / n/a / FVTPL	257,309	158,697	67,784	27,097	553	3,178	98,612
<i>thereof: other non-interest-bearing liabilities</i>	AC / n/a	226,481	158,697	67,784	0	0	0	67,784
<i>thereof: Put-option of non-controlling interests</i>	FVOCI	27,097	0	0	27,097	0	0	27,097
<i>thereof: derivatives with a hedging relationship</i>	n/a	3,178	0	0	0	0	3,178	3,178
<i>thereof: derivatives without a hedging relationship</i>	FVTPL / n/a	553	0	0	0	553	0	553
Aggregated by Category in Accordance with IFRS 9								
Financial assets measured at amortized costs	AC	719,038	0	719,038	0	0	0	719,038
Financial liabilities measured at amortized costs	AC	797,660	0	797,660	0	0	0	797,660
Financial assets measured at fair value	FVTPL	11,001	0	0	0	11,001	0	11,001
Financial liabilities measured at fair value	FVTPL	553	0	0	0	553	0	553

AC: At amortized cost
 FVTPL: Fair value through profit of loss
 FVOCI: Fair value through other comprehensive income

*) The carrying amount of finance lease receivables and liabilities is determined in accordance with IAS 17, taking into account the rules on derecognition and impairment in accordance with IFRS 9; The value of derivatives with hedging relationships continues to be measured in accordance with IAS 39 and at fair value (not affecting net income); The valuation of put options of non-controlling interests is based on IFRS 10; The carrying amounts of contractual assets are measured in accordance with IFRS 15, taking into account the provisions for derecognition and impairment in accordance with IFRS 9.

Carrying Amounts, Amounts Recognized, and Fair Values by Measurement Category as of December 31, 2017.

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	Category in accordance with IAS 39	Carrying amount	Thereof outside IFRS 7	Thereof amounts recognized in balance sheet according to IAS 39			Thereof amounts recognized according to IAS 17	Fair value of financial instruments under IFRS 7
				Amortized cost	Fair value recognized in equity	Fair value recognized in profit or loss		
Assets								
Cash and cash equivalents	LaR	120,678	0	120,678	0	0	0	120,678
Trade receivables	LaR / n/a	323,615	0	313,593	0	0	10,022	323,615
<i>thereof: receivables from finance leases</i>	n/a	10,022	0	0	0	0	10,022	10,022
Receivables from affiliated companies	LaR	41,712	0	41,712	0	0	0	41,712
Receivables from related companies	LaR	17,053	0	17,053	0	0	0	17,053
Other assets	LaR / n/a / HfT	126,431	60,266	62,946	3,215	4	0	66,165
<i>thereof: derivatives with a hedging relationship</i>	n/a	3,215	0	0	3,215	0	0	3,215
<i>thereof: derivatives without a hedging relationship</i>	HfT	4	0	0	0	4	0	4
Investments	LaR/ FVO/ AfS	49,200	0	47,759	0	1,441	0	49,200
Liabilities								
Trade payables	FLAC	261,344	0	261,344	0	0	0	261,344
Liabilities to affiliated companies	FLAC	27,787	0	27,787	0	0	0	27,787
Liabilities to related companies	FLAC	19,515	0	19,515	0	0	0	19,515
Financial liabilities	FLAC / n/a	2,708	0	2,540	0	0	168	2,708
<i>thereof: liabilities from finance leases</i>	n/a	168	0	0	0	0	168	168
Other liabilities	FLAC / n/a / HfT	320,687	214,250	62,953	41,729	1,754	0	106,437
<i>thereof: other non-interest-bearing liabilities</i>	FLAC / n/a	277,203	214,250	62,953	0	0	0	62,953
<i>thereof: Put-option of non-controlling interests</i>	n/a	36,951	0	0	36,951	0	0	36,951
<i>thereof: derivatives with a hedging relationship</i>	n/a	4,778	0	0	4,778	0	0	4,778
<i>thereof: derivatives without a hedging relationship</i>	HfT	1,754	0	0	0	1,754	0	1,754
Aggregated by Category in Accordance with IFRS 9								
Loans and receivables	LaR	555,982	0	555,982	0	0	0	555,982
Available-for-sale financial assets	AfS	47,759	0	47,759	0	0	0	47,759
Financial assets and liabilities measured at fair value through profit or loss (Fair Value Option)	FVO	1,441	0	0	0	1,441	0	1,441
Financial assets measured at fair value through profit or loss (Held for Trading)	HfT	4	0	0	0	4	0	4
Financial liabilities measured at fair value through profit or loss (Held for Trading)	HfT	1,754	0	0	0	1,754	0	1,754
Financial liabilities measured at amortized cost	FLAC	374,139	0	374,139	0	0	0	374,139

LaR: Loans and Receivables.

FVO: Financial Assets or Financial Liabilities at Fair Value through Profit or Loss (Fair Value Option).

HfT: Financial Assets or Financial Liabilities at Fair Value through Profit or Loss (Held for Trading).

AfS: Available-for-Sale Financial Assets (At Cost).

FLAC: Financial Liabilities at Amortized Cost.

Financial instruments measured at fair value are allocated to different measurement levels in accordance with IFRS 7. This includes financial instruments that are

1. measured at their fair values in an active market for identical financial instruments (level 1),
2. measured at their fair values in an active market for comparable financial instruments or using measurement models whose main input factors are based on observable market data (level 2),
or
3. using input factors not based on observable market data (level 3).

The following table shows the amounts allocated to each measurement level at December 31, 2018:

Allocation to Fair Value Hierarchy.				
	Fair value	Level 1	Level 2	Level 3
Financial assets at fair value - not affecting net income				
Derivatives with a hedging relationship	613	0	613	0
	(3,215)	(0)	(3,215)	(0)
Financial assets at fair value - affecting net income				
Designated as such upon initial recognition	1,091	0	0	1,091
	(1,441)	(0)	(0)	(1,441)
Derivatives without a hedging relationship	72	0	72	0
	(4)	(0)	(4)	(0)
Financial liabilities at fair value - not affecting net income				
Derivatives with a hedging relationship	3,178	0	3,178	0
	(4,778)	(0)	(4,778)	(0)
Put-option of non-controlling interests	27,097	0	0	27,097
	(36,951)	(0)	(0)	(36,951)
Financial liabilities at fair value - affecting net income				
Derivatives without a hedging relationship	553	0	553	0
	(1,754)	(0)	(1,754)	(0)

Last year's figures are shown in brackets.

If reclassifications between the fair value measurement levels are made, they are recorded at the end of the reporting period in which they occurred. Neither during the fiscal year 2018 nor in the previous short fiscal year 2017, there have been reclassifications between the fair value measurement levels.

The assets that are shown under level 3 concerns the 6% interest in WINCOR NIXDORF Immobilien GmbH & Co. KG as well as the investments in Diebold Nixdorf India Private Limited (11,71 %) and Diebold Nixdorf de Mexico S.A. de C.V. (6,56 %). The net result of these companies will be allocated on a pro-rata basis; therefore the presented fair values will be converted accordingly. The effect on the profit or loss is presented in the financial result.

Put options for non-controlling interests in the amount of the present value of the exercise price are presented without any effect on profit or loss against retained earnings as a financial liability as level 3. The measurement is derived from expected net sales contributions, operating profit (EBITA) as well as a weighted average cost of capital ("WACC").

The following table shows the reconciliation from the opening balance to the ending balance fair values of level 3 instruments:

€k

	Jan. 1, 2018	Additions	changes affecting net income	changes not affecting net income	Dec. 31, 2018
Investments	1,441	9,838	-350	---	10,929
Put-option of non-controlling interests		36,951	---	-9,854	27,097

Due to minor changes in the value of the investments the sensitivity analysis of valuation-relevant parameters does not result in significant and decision-useful information.

The measurement of level 3 put options for non-controlling interests is based on a discounted cash flow model. The sensitivity analysis of the significant unobservable inputs used in the fair value measurement is as follows:

€k

	resulting in neither profit or loss	
	Increase	Decrease
Growth rate expected net sales contribution (change +/- 5 %)	6,611	-4,862
Operating profit (EBITA - change +/- 5 %)	5,462	-5,553
WACC (change +/- 1 %)	-1,801	2,144

The fair values of forward currency transactions have been obtained by traded forward rates. The determination of the fair values of the swaps at the balance sheet date was based upon corresponding quotations obtained from banks using internal mark-to-market models.

Due to the short-term maturities of cash and cash equivalents, trade receivables and payables, as well as other current receivables and payables, it is assured their fair values approximate their carrying amount. The fair values of non-current financial assets and liabilities are estimated by discounting expected future cash flows using current interest rates for debt of similar terms and remaining maturities. Cash and cash equivalents, other receivables, and investments are not past due and not impaired.

The net gains and losses from financial instruments by IAS 39 category are shown in the following table:

Net Gain/Loss by Category in accordance with IFRS 9		€k
	Jan. 1, 2018 - Dec. 31, 2018	
Financial assets measured at amortized cost	-7,951	
Financial assets measured at fair value through profit or loss	-350	
Financial liabilities measured at fair value through profit or loss	634	
Financial liabilities measured at amortized cost	956	
	-6,711	

Net Gain/Loss by Category in accordance with IAS 39		€k
	Oct. 1, 2017 - Dec. 31, 2017	
Loans and receivables	1,923	
Financial assets measured at fair value through profit or loss	377	
Financial assets and liabilities measured at fair value through profit or loss	-172	
Financial liabilities measured at amortized cost	-1,577	
	551	

In the previous year, the net result under “Loans and receivables” mainly comprises interests on financial receivables, impairment allowances on trade receivables, as well as gains and losses on foreign currency receivables.

The category “Financial assets measured as at fair value through profit or loss” in the previous year includes the changes of the fair value of the interest in WINCOR NIXDORF Immobilien GmbH & Co. KG.

Gains and losses arising from changes in fair value of interest rate derivatives that do not comply with the hedge accounting requirements under IAS 39 are included in the “Financial assets and liabilities measured as at fair value through profit or” category for the prior fiscal year.

The net result of the category “Financial liabilities measured at amortized cost” mainly comprises interest expenses on financial liabilities as well as gains and losses on foreign currency liabilities.

Gains and losses arising from finance lease and from derivatives that qualify for hedge accounting are not included in the net result, as they are not part of any IFRS 9 or IAS 39 (comparison period) measurement category.

Total interest income and total interest expense for financial assets or financial liabilities that are not measured at fair value through profit or loss are structured as follows:

Net Interest Result from Financial Instruments.

€k

	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
Total interest income	822	523
Total interest expenses	-849	-157
	-27	366

Risks Arising from Financial Instruments.

Typical risks arising from financial instruments include credit risk, liquidity risk, and market risks. The risk management system of the Group including its goals, methods, and processes is presented in the Risk Report of the Group Management Report. Based on the information presented below, we have identified no explicit concentrations of risk attributable to financial risks.

Credit Risks.

Diebold Nixdorf AG attempts to reduce the credit risks by using trading information, credit limits, and debtor management, including a payment reminders system and proactive debt collection. In view of the fact that no single customer accounted for more than 10% of net sales in the fiscal year 2018 and short fiscal year 2017, there is no concentration of risk with regard to credit risks. We operate with letters of credit to safeguard receivables from customers in countries with a credit risk, such as Argentina, Nigeria, Pakistan and Ukraine. The maximum default risk is represented by the carrying amounts of the financial assets recognized in the Group balance sheet.

In the case of derivative financial instruments, the Group is exposed to credit risks arising from the non-performance of contractual obligations by the contracting parties. These risks are minimized by only entering into agreements with contracting parties who have a good credit standing. The entire portfolio of derivative financial instruments is spread across several banks to reduce the risk of default. The default risk of derivatives equals their positive fair values.

Financial Assets and Financial Liabilities from Derivatives that are subject to Netting, Collateral or Other Similar Arrangements.

€k

	Gross value in balance sheet		Offsetting value		Net value	
	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
Financial assets	685	3,219	25	238	660	2,981
Financial liabilities	3,731	6,532	25	238	3,706	6,294

Potential netting arrangements are based on the German master agreement for financial forward transactions.

Liquidity Risks.

From an operating point of view, the management of the Group's liquidity exposures is centralized by a cash pooling process. This process enables the Group to manage the liquidity surplus and liquidity requirements according to the actual needs of the Group and each subsidiary. The Group's short-term and midterm liquidity management takes into account the maturities of financial assets and financial liabilities, as well as estimates of cash flows from the operating activities. Liquidity needs

are covered with cash and cash equivalents totaling €137,196k (short 2017: €129,327k) including an amount of €6,840k (short 2017: €8,649k), that is presented within "Assets held for sale".

Following the business combination with Diebold Nixdorf, Inc., a contract for a revolving credit facility of €300,000k with a term until August 8, 2021, was concluded on August 8, 2016, with Diebold Self-Service Solutions S.A.R.L. ("Diebold S.A.R.L.").

As of the balance sheet date, €93,849k (short 2017 €42,008k) had been drawn from the revolving credit facility, including an amount of €1,209k (short 2017: €7,209k) reclassified to "Liabilities with regard to assets held for sale".

On September 26, 2016, the shareholders of Diebold Nixdorf AG at an Extraordinary General Meeting approved a domination and profit and loss transfer agreement (DPLTA) with Diebold Nixdorf KGaA, which has become effective with registration into the commercial register on February 14, 2017. In conjunction with the approved DPLTA Diebold Nixdorf, Inc. – without entering into the agreement – separately issued a comfort letter in favor of Diebold Nixdorf AG. By means of this comfort letter Diebold Nixdorf, Inc. commits itself to unlimitedly and irrevocably provide Diebold Nixdorf KGaA with the necessary financial support to fulfill its possible loss compensation obligations according to § 302 AktG against Diebold Nixdorf AG in due time.

The financial liabilities are expected to result in the following (undiscounted) payments in the next years:

€k

	Gross value Dec. 31, 2018	Cash flows 2019	Cash flows 2020 - 2023	Cash flows from 2024
Trade payables	278,357	278,298	59	0
Liabilities to affiliated companies	23,743	23,743	0	0
Liabilities to related companies	10,753	10,753	0	0
Financial liabilities	5,791	3,653	2,138	0
<i>thereof: liabilities from finance leases</i>	3	3	0	0
Financial liabilities to affiliated companies	343,451	340,912	2,539	0
Other liabilities	98,612	73,591	25,021	0
<i>thereof: other non-interest-bearing liabilities</i>	67,784	67,784	0	0
<i>thereof: Put-option of non-controlling interests</i>	27,097	5,254	21,843	0
<i>thereof: derivatives with a hedging relationship</i>	3,178	0	3,178	0
<i>thereof: derivatives without a hedging relationship</i>	553	553	0	0
Total	760,707	730,950	29,757	0

€k

	Gross value Dec. 31, 2017	Cash flows 2018	Cash flows 2019 - 2022	Cash flows from 2023
Trade payables	261,344	261,344	0	0
Liabilities to affiliated companies	27,787	27,787	0	0
Liabilities to related companies	19,515	19,515	0	0
Financial liabilities	2,708	1,558	1,150	0
<i>thereof: liabilities from finance leases</i>	173	173	0	0
Financial liabilities to affiliated companies	222,010	221,903	107	0
Other liabilities	106,436	69,866	36,570	0
<i>thereof: other non-interest-bearing liabilities</i>	62,953	62,953	0	0
<i>thereof: Put-option of non-controlling interests</i>	36,951	3,504	33,447	0
<i>thereof: derivatives with a hedging relationship</i>	4,778	1,655	3,123	0
<i>thereof: derivatives without a hedging relationship</i>	1,754	1,754	0	0
Total	639,800	601,973	37,827	0

Market Risks.

Market risk is the risk that fair values or future cash flows of non-derivative or derivative financial instruments will fluctuate due to changes in risk factors. Currency and interest rate risks are the significant market risks to which Diebold Nixdorf AG is exposed. Associated with these risks are fluctuations in income, equity, and cash flow.

The following analyses and amounts determined by means of sensitivity analyses represent hypothetical, future-oriented data that can differ from actual outcomes because of unforeseeable developments in financial markets. Moreover, non-financial or non-quantifiable risks, such as business risks, are not considered here.

Currency Risks.

Within Diebold Nixdorf AG, both sales and purchases are also transacted in foreign currency, which creates a currency risk. At Diebold Nixdorf AG, these are mainly U.S. dollar and pounds sterling. The risk is considerably reduced by natural hedging, i.e., management of sales and purchases by choice of location and suppliers.

The nominal sum of the forward currency transactions for the foreign currencies U.S. dollar and pounds sterling amounts to €30,879k (short 2017: €87,583k). The risk is hedged for a period of twelve months in advance by monthly due-forward currency transactions with banks. Since the hedge is classified as highly effective, a cash flow hedge is accounted for according to IAS 39 "Financial Instruments: Recognition and Measurement." The currency forward contracts designated to the cash flow hedge accounting hedge expected forward currency transactions for the coming twelve months. The corresponding fair values, which are determined by market prices, amount to €613k and €0k (short 2017: €3,215k and - €209k) at the balance sheet date, and have been recorded without any impact on profit and loss within equity, having taken into account deferred taxes. The fair values are presented under other liabilities. The fair values of forward currency transactions have been obtained by traded forward rates. The forward currency transactions will affect profit and loss at maturity date. In the course of the period under review, an amount equivalent to €1,643k (short 2017: €2,478k) of forward currency transactions existing at the end of the previous fiscal year was recognized in profit or loss under cost of sales.

The remaining net currency risk not hedged by forward currency transactions amounts to approximately 0 million U.S. dollars (short 2017: approximately 20 million U.S. dollars) as well as approximately 11 million pounds sterling (short 2017: approximately 8 million pounds sterling) and are regarded as minor. The flows of foreign currency are recorded centrally for the entire Group and, where feasible, equalized out. No foreign currency options were transacted during the fiscal year and the previous year.

If the euro had been revalued and devalued respectively by 10% against pounds sterling as of December 31, 2018, the other components of equity (before deferred taxes) and the fair value of forward currency transactions would have been €2,735k higher, and €3,339k lower, respectively (short 2017: €3,142k higher, and €3,836k lower, respectively).

Interest Rate Risks.

In order to reduce the risk of interest rate changes, Diebold Nixdorf AG entered into interest rate hedges.

As of May 28, 2010, an interest swap for a nominal sum of €50,000k, with a ten-year term from October 1, 2010 until September 30, 2020, has been concluded. The interest swap designated to the cash flow hedge accounting hedges interest payments for the coming four years. For this interest swap, the three-month EURIBOR is received and a fixed interest of 2.974% is paid. The fair value, which is measured at market prices, is -€3,178k (short 2017: -€4,569k). This interest swap with a clean value of -€2,847k (short 2017: -€4,239k) has been directly recognized in the other components of equity, having taken into account deferred taxes. In the fiscal year 2018 €1,653k (short 2017: €413k) has been reclassified from equity to profit or loss. The remaining net interest risk on financial liabilities not hedged amounts to approximately €44 million and is regarded as minor due to the current interest environment.

No further interest rate swaps have been concluded in the year under review.

An increase/decrease of 100 basis points of the interest rates on balance sheet date would result in the following changes: the other components of equity (before deferred taxes) would have been increased by €794k and decreased by €789k, respectively (short 2017: increased by €1,309k and decreased by €1,365k, respectively).

(23) Cost of Materials.

€k

	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
Cost of raw materials, supplies, and bought-in goods	827,231	152,304
Cost of bought-in services	622,107	150,262
	1,449,338	302,566

The net change in finished and unfinished goods and services amounts to €18,036k decrease (short 2017: €12,034k decrease) in the year under review.

(24) Personnel Expenses and Employees.

€k

	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
Wages and salaries	542,479	121,822
Social security contributions and welfare expenses	89,492	21,124
Retirement benefit expenses	17,344	4,185
	649,315	147,131

The average number of employees during the short year was 8 688 (short 2017: 8 445), excluding apprentices. Headcount breakdown by function was as follows:

	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
Production	796	768
Sales/Services	6 892	6 703
Research and development	772	726
Administration	228	248
	8 688	8 445

(25) Guarantees and Contingent Liabilities.

At the end of the reporting period, there were no contingent liabilities (short 2017: €19,760k for potential tax risks).

In addition, Diebold Nixdorf AG guarantees for customer funds which have been at its premises as of December 31, 2018. At the beginning of the following fiscal year, the customer funds have been paid in to the customers' bank accounts or used for the filling of ATM cassettes of various banks. Any related claims are not expected as a regular reconciliation with the customers is performed. Moreover, in order to cover the risks of possible loss of customer funds, external insurances have been procured.

(26) Other Financial Commitments.

€k

	Total	Residual term		
		up to 1 year	between 1 and 5 years	more than 5 years
Future payment commitments from				
real estate leases	67,208 (78,613)	23,308 (28,307)	40,626 (44,161)	3,274 (6,145)
miscellaneous tenancies and leases	15,296 (18,328)	8,322 (9,423)	6,974 (8,905)	0 (0)
long-term purchase and service contracts	12,144 (12,180)	7,785 (7,757)	4,359 (4,423)	0 (0)
acquisition of intangible assets and property, plant and equipment	8,764 (8,793)	8,764 (8,793)	0 (0)	0 (0)
	103,412 (117,914)	48,179 (54,280)	51,959 (57,489)	3,274 (6,145)

Last year's equivalent figures are shown in brackets.

The future payment commitments from real estate leases and miscellaneous tenancies and leases represent the future minimum lease payments in connection with operating leases, as per IAS 17. The agreements comprise the leasing of buildings and motor vehicles. Leasing expenses amounted to €52,925k (short 2017: €13,259k) in the year under review.

(27) Related Parties.

Related parties according to IAS 24 "Related Party Disclosures" are, besides the Board of Directors, essentially the Supervisory Board, Companies within Diebold Nixdorf, Inc. Group, that are not part of Diebold Nixdorf AG Group, investments, and shareholders.

In August 2016, Diebold Nixdorf KGaA, Paderborn (prior: Eschborn), acquired a majority in Diebold Nixdorf AG (formerly Wincor Nixdorf AG). On September 26, 2016, the shareholders of Diebold Nixdorf AG at an Extraordinary General Meeting approved DPLTA with Diebold Nixdorf KGaA, which became effective with registration into the commercial register on February 14, 2017. In conjunction with the approved DPLTA Diebold Nixdorf, Inc. – without entering into the agreement – separately issued a comfort letter in favor of Diebold Nixdorf AG. By means of this comfort letter Diebold Nixdorf, Inc. commits itself to unlimitedly and irrevocably provide Diebold Nixdorf KGaA with the necessary financial support to fulfill its possible loss compensation obligations according to § 302 AktG against Diebold Nixdorf AG in due time. Diebold Nixdorf AG will be included in the Group financial statements of the ultimate parent company Diebold Nixdorf, Inc., North Canton, Ohio, USA as of December 31, 2018.

Business relations with affiliated companies.

€k

	Transaction values for the		Balance outstanding as at	
	year ended			
	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Sale of goods and service parts	326,824	44,099	89,626	47,617
Administrative and passed on services	13,676	1,215	3,586	605
Obtained services	196,578	16,068	28,733	31,305
Financing expenses	1,092	21	250,610	228,619
Sale of entities and sale of assets and liabilities	1,967	11,489	0	10,265

Compensation of Board of Directors and Supervisory Board.

The compensation of the Board of Directors is as follows:

€k

	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
Short-term benefits (without share-based compensation)	2,947	1,334
Share-based compensation	3,090	0
Total compensation	6,037	1,334
Post-employment benefits	250	63
Total	6,287	1,397

The disclosure of share-based compensation refers to the fair value at the grant date. Additions to superannuation (current service costs) for current members of the Board of Directors are disclosed as post-employment benefits. With the conversion of the pension scheme from pension payments to a one-time pay-off or payments in several installments, also pension obligations of the Board of Directors were adapted. As of December 31, 2018, the entitlement to funds of the Board of Directors upon reaching the specified age limit (retirement capital) amounts to €472k (short 2017: €2,368k).

As of December 31, 2018, as well as of December 31, 2017 the members of the of the Board of Directors and the Supervisory Board, did not own any stock options from the share-based payment programs 2015 and 2016 of Diebold Nixdorf AG. They have been replaced by equity instruments based on Diebold Nixdorf, Inc. shares. With the change to share-based payments the Board of Directors held in total 79,088 performance-based shares (short 2017: 56,776), 31,148 restricted stock units (short 2017: 26,389) and 139,670 stock options (short 2017: 174,656) relating to Diebold Nixdorf, Inc. shares.

The compensation of the Supervisory Board is as follows: in the year under review, the members of the Supervisory Board received fringe benefits amounting to €531k (short 2017: €117k). No long-term benefits are arranged with the members of the Supervisory Board. In addition to their compensation as members of the Supervisory Board, those employee representatives who are employees of the Group receive compensation unrelated to their service on the Supervisory Board. The total amount of such compensation was €616k (short 2017: €137k).

Total compensation paid to former members of the Board of Directors amounted to €277k in the fiscal year 2018 (short 2017: €32k). An amount of €7,102k (short 2017: €4,783k) is accrued for pension obligations of former members of the Board of Directors and their bereaved.

Business relations with joint ventures and associated companies.

The Group has business relations with the joint venture CROWN B.V. Transactions with this related party result from the delivery and service relations in the ordinary course of business. The volume of business relations is minor.

In addition, the Group has business relationships with associated companies Aisino-Wincor Retail & Banking Systems (Shanghai) Co., Ltd, Shanghai, Aisino-Wincor Manufacturing (Shanghai) Co., Ltd, Shanghai und Aisino-Wincor Engineering Pte. Ltd., Singapore. These relationships resulted in income of €8,730k (short 2017: €2,015k) and expenses of €8,830k (short 2017: €2,193k) in the fiscal year. Furthermore out of these relationships, trade receivables amount to €4,724k (short 2017: €9,372k) as well as finance receivables of €3,425k (short 2017: €3,504k). Further on, trade payables to associated companies amount to €10,600k (short 2017: €17,165k).

(28) Notes to the Group Cash Flow Statement.

The Group cash flow statement has been drawn up in accordance with IAS 7 “Statements of Cash Flows.”

Cash and cash equivalents include not only cash amounting to €137,196k (short 2017: €129,327k) but also current bank liabilities repayable at any time amounting to €3,978k (short 2017: €1,390k), as these could be considered in the management of cash.

The output value of the Group cash flow statement is the net profit on operating activities, which amounted to €63,991k in the year under review (short 2017: €62,420k). Adding amortization and depreciation of property rights, licenses and property, plant and equipment and write-downs on reworkable service parts gives EBITDA of €131,653k (short 2017: €76,394k).

In addition, the income taxes paid of -€25,284k (short 2017: -€9,396k), the elimination of the result from the sale of subsidiaries of €2,192k (short 2017: -€12,157k), the change in working capital of -€31,954k (short 2017: €21,116k) and the change in other assets and other liabilities as well as accruals of €49,595k (short 2017: €2,779k) resulted in cash flow from operating activities of €81,680k (short 2017: €73,046k).

Lease payments from customers for Diebold Nixdorf AG products and lease payments from Diebold Nixdorf AG for operating lease assets are presented in cash flow from operating activities. Lease payments for assets, which classify as a finance lease and are capitalized, are recorded in cash flow from financing activities.

As a consequence of the DN2020 transformation program initiated in fiscal 2016/2017 within Diebold Nixdorf, Inc. Group and continued in the fiscal year 2018, entities in selected countries were amalgamated in order to present a consistent image as Diebold Nixdorf within the markets in question and streamline administrative costs associated with duplicate legal structures in a specific country. As part of these measures, Diebold Nixdorf AG acquired and disposed of specific entities, in addition to disposing of individual assets by means of asset deals.

The following table illustrates the effects of these transactions on balance sheet items:

	Dec. 31, 2018	Dec. 31, 2017
Intangible assets and Property, Plant and Equipment	-371	60,974
Inventories	-7,038	1,312
Trade receivables, other receivables and deferred tax assets	5,608	-1,777
Cash and cash equivalents	-3,640	6,355
Accruals	-2,706	-410
Trade payables and other liabilities	-997	-3,059
Net assets and liabilities	-9,144	63,395
Consideration received consisting cash and cash equivalents	0	0
Cash and cash equivalents over which control is lost	-3,640	6,354
Net cash and cash equivalents over which control is lost	-3,640	6,354

(29) Segment Report.

For the purposes of presenting segment information, the activities of the Group are divided into operating segments in accordance with the rules contained in IFRS 8 "Operating Segments." Internal reporting within the Group is conducted on the basis of the customer profiles Banking and Retail. Banking and Retail were defined as operating segments in accordance to IFRS 8.10. As chief operating decision maker ("CODM") within the meaning of IFRS 8, our Board of Directors assesses the performance of these two operating segments on the basis of corporate reporting and makes decisions about resources to be allocated. The performance of the operating segments is assessed in particular by referring to "net sales to external customers" as well as EBITA.

The nature of products and services in the Banking and Retail segments are shown in the chapter "General Information" and in the Group Management Report.

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the Group financial statements. There were no changes in accounting policies compared to previous periods.

EBITA is the measure of segment profit (loss) used in segment reporting and comprises gross profit, selling, general and administration expenses, research and development expenses, other operating income and expenses, and result from equity accounted investments.

In the case of information by geographical region, external sales are based on the location of the customer's registered office. In the fiscal year 2018 and short fiscal year 2017, no single customer accounted for more than 10% of total net sales. The information disclosed for non-current assets relates to intangible assets without goodwill as well as property, plant and equipment and reworkable service parts. The allocation is given according to the location of the assets concerned.

Reconciliation of Segment Profit to Profit for the Period.

€k

	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
Operating profit (EBITA)	68,162	62,420
Goodwill amortization	-4,171	0
Operating profit (EBIT)	63,991	62,420
Finance income and finance costs	-1,885	85
Profit before income taxes	62,106	62,505
Income taxes	-27,447	-11,698
Profit for the period	34,659	50,807
Profit attributable to non-controlling interests	2,755	-504
Profit attributable to equity holders of Diebold Nixdorf AG	37,414	50,303

Reconciliation of Segment Assets and Segment Liabilities.

€k

	Dec. 31, 2018	Dec. 31, 2017
Segment assets	879,192	854,158
Non-operating miscellaneous intangible assets (goodwill and product know-how)	324,105	340,399
Investments	11,059	49,200
Deferred tax assets	32,789	27,568
Receivables from related companies (exclusive of trade receivables from joint ventures)	82,582	6,913
Current income tax assets	10,551	14,066
Non-operating miscellaneous assets	115,232	126,431
Cash and cash equivalents	130,356	120,678
Assets held for sale	52,571	78,934
Assets	1,638,437	1,618,347
Segment liabilities	429,507	451,754
Equity	389,159	433,400
Accruals for pensions and similar commitments	80,975	59,063
Other accruals	144,361	161,874
Financial liabilities	5,791	2,708
Deferred tax liabilities	25,417	23,913
Financial liabilities to affiliated companies	343,451	221,409
Financial liabilities to related companies	2,193	4,304
Current income tax liabilities	23,594	40,053
Non-operating miscellaneous liabilities	159,354	184,514
Liabilities with regard to assets held for sale	34,635	35,355
Equity and Liabilities	1,638,437	1,618,347

Non-operating miscellaneous liabilities include other liabilities without deferred income.

(30) Consolidation Group as of December 31, 2018.**Fully consolidated subsidiaries**

GERMANY	Capital share in %
Diebold Nixdorf Aktiengesellschaft , Paderborn	
WINCOR NIXDORF International GmbH, Paderborn	100
Diebold Nixdorf Banking Consulting GmbH , Paderborn	100
Diebold Nixdorf Business Administration Center GmbH, Paderborn	100
Diebold Nixdorf Customer Care GmbH, Paderborn	100
Diebold Nixdorf Visio GmbH, Paderborn	100
WINCOR NIXDORF Facility GmbH, Paderborn	100
Diebold Nixdorf Facility Services GmbH, Paderborn	100
Diebold Nixdorf Global IT Operations GmbH, Paderborn	100
Diebold Nixdorf Global Logistics GmbH, Paderborn	100
Diebold Nixdorf Grundstuecksverwaltung Ilmenau GmbH & Co. KG, Paderborn	100
Diebold Nixdorf Logistics GmbH, Paderborn	100
Diebold Nixdorf Lottery Solutions GmbH, Paderborn	100
Diebold Nixdorf Systems GmbH, Paderborn	100
Diebold Nixdorf Portavis GmbH, Hamburg	68
Diebold Nixdorf Real Estate GmbH & Co. KG, Paderborn	100
Diebold Nixdorf Retail Consulting GmbH, Paderborn	100
Diebold Nixdorf Retail Services GmbH, Paderborn	100
Diebold Nixdorf Security GmbH, Paderborn	100
Diebold Nixdorf Services GmbH, Paderborn	100
Diebold Nixdorf Technology GmbH, Paderborn	100
AEVI International GmbH, Paderborn	82,7
Bankberatung Organisations- und IT-Beratung für Banken AG, Hannover	94,1
IP Management GmbH, Paderborn	100
Prosystems IT GmbH, Bonn	100
Diebold Nixdorf Fuel and Convenience Solutions GmbH, Cologne	100
Projective BC Germany GmbH, Frankfurt am Main	53,07
Diebold Nixdorf Deutschland GmbH, Paderborn	100
EUROPE	
Belgium	
Projective NV , Diegem	53,07
WIK Consulting BVBA , Diegem	53,07
Czech Republic	
Diebold Nixdorf s.r.o., Prague	100
Diebold Nixdorf Retail Solutions s.r.o., Prague	100
Aevi CZ s.r.o., Prague	82,7
Denmark	
Diebold Nixdorf A/S, Ballerup	100
Finland	
Diebold Nixdorf Oy, Espoo	100
France	
Diebold Nixdorf SAS, Vélizy- Villacoublay	100
Projective BC France, Paris	53,07

EUROPE	Capital share in %
Great Britain	
Diebold Nixdorf Banking Services Limited, Bracknell, Berkshire	100
DIEBOLD NIXDORF (UK) LIMITED, Bracknell, Berkshire	100
Aevi UK Limited, Bracknell / Berkshire	82,7
Projective London Ltd., London	53,07
Greece	
Diebold Nixdorf Information Systems S.A., Kifisia/ Athens	100
Hungary	
Diebold Nixdorf Kft., Budapest	100
Ireland	
Diebold Nixdorf (Ireland) Limited, Dublin	100
Italy	
Diebold Nixdorf S.r.l. , Basiglio / Milan	100
Malta	
Diebold Nixdorf Finance Malta Holding Limited , St. Julians	100
Diebold Nixdorf Finance Malta Limited, St. Julians	100
Norway	
DIEBOLD NIXDORF AS, Oslo	100
Poland	
Diebold Nixdorf BPO Sp.z.o.o. , Warsaw	100
Diebold Nixdorf Sp. z o.o., Warsaw	100
Russia	
LLC DIEBOLD NIXDORF, Moscow	100
Slovakia	
DIEBOLD NIXDORF s.r.o., Bratislava	100
Sweden	
Diebold Nixdorf AB, Solna	100
Switzerland	
BEB Industrie- Elektronik AG, Burgdorf	100
CI TECH Sensors AG, urgdorf	100
Diebold Nixdorf Finance AG, Baar	100
Spain	
DIEBOLD NIXDORF SL, Madrid	100
Dynasty Technology Group, S.A.U., Madrid	100
The Netherlands	
Projective Biz B.V., Amsterdam	53,07
SecurCash B.V., Rotterdam	100
SecurCash Geldverwerking B.V., Delft	100
SecurCash Nederland B.V., Delft	100
Diebold Nixdorf B.V., Delft	100
Diebold Nixdorf Software Partner B.V., Utrecht	100
Turkey	
Diebold Nixdorf Teknoloji AS, Kadikoy / Istanbul	100
Altus Bilisim Hizmetleri Anonim Sirketi, Ankara	100
Ukraine	
LLC DIEBOLD NIXDORF, Kiev	100

AMERICAS	Capital share in %
Brazil	
Wincor Nixdorf Soluções em Tecnologia da Informação Ltda., Atibaia/ São Paulo	100
Mexico	
Wincor Nixdorf IT Support S.A. de C.V., Mexico City	99,998
USA	
Wincor Nixdorf Inc., Austin	100
Venezuela	
Wincor Nixdorf C.A., Caracas	100
IT SOLUCIONES INTEGRALES, C.A., Barquisimeto, Lara	100
ASIA-PACIFIC	
China	
Diebold Nixdorf (Hong Kong) Limited , New Territories, Hong Kong	100
Diebold Nixdorf Information Systems (Shanghai) Co., Limited	100
Indonesia	
PT. DIEBOLD NIXDORF INDONESIA, Jakarta Selatan	87,336
Malaysia	
DIEBOLD NIXDORF SDN. BHD., Kuala Lumpur	100
Philippines	
WINCOR NIXDORF (PHILIPPINES), INC., Makati City	100
Singapore	
DIEBOLD NIXDORF SINGAPORE PTE. LTD., Singapore	100
DIEBOLD NIXDORF MANUFACTURING PTE. LTD., Singapore	100
Taiwan	
Diebold Nixdorf Taiwan Ltd., Taipei	100
Thailand	
Wincor Nixdorf (Thailand) Co., Ltd., Bangkok / Sathorn / Thungmahamek	100
AFRICA	
Capital share in %	
Algeria	
DIEBOLD NIXDORF EURL, Algiers	100
Morocco	
Diebold Nixdorf S.A., Casablanca	100

Subsidiaries not consolidated

EUROPE

LLC MCES , Moscow	49.9
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AFRICA

Wincor Nixdorf Retail ME DMCC, Dubai	80
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Diebold Nixdorf Limited, Lagos	100
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Joint ventures

EUROPE

CROWN B.V, Delft	50
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Associates

EUROPA

Diebold Nixdorf Software CV, Utrecht	40
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Diebold Nixdorf Global Solutions B.V., Utrecht	40
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ASIA-PACIFIC

Aisino-Wincor Retail & Banking Systems (Shanghai) Co.,Ltd, Shanghai	43.56
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Aisino Wincor Manufacturing (Shanghai) Co., Ltd, Shanghai	43.56
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AISINO-WINCOR ENGINEERING PTE. LTD., Singapore	43.56
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The following German subsidiaries of Diebold Nixdorf AG made part or total use of the exemption clause included in Section 264 (3) and Section 264b of the German Commercial Code in the fiscal year:

- WINCOR NIXDORF International GmbH, Paderborn
- Diebold Nixdorf Banking Consulting GmbH, Paderborn
- Diebold Nixdorf Business Administration Center GmbH, Paderborn
- Diebold Nixdorf Customer Care GmbH, Paderborn
- Diebold Nixdorf Deutschland GmbH, Paderborn
- Diebold Nixdorf Visio GmbH, Paderborn
- WINCOR NIXDORF Facility GmbH, Paderborn
- Diebold Nixdorf Facility Services GmbH, Paderborn
- Diebold Nixdorf Global IT Operations GmbH, Paderborn
- Diebold Nixdorf Global Logistics GmbH, Paderborn
- Diebold Nixdorf Logistics GmbH, Paderborn
- Diebold Nixdorf Systems GmbH, Paderborn
- Diebold Nixdorf Retail Consulting GmbH, Paderborn
- Diebold Nixdorf Retail Services GmbH, Paderborn
- Diebold Nixdorf Security GmbH, Paderborn
- Diebold Nixdorf Services GmbH, Paderborn
- Diebold Nixdorf Technology GmbH, Paderborn
- Diebold Nixdorf Real Estate GmbH & Co. KG, Paderborn

- Diebold Nixdorf Grundstücksverwaltung Ilmenau GmbH & Co. KG, Paderborn
- IP Management GmbH, Paderborn
- Prosystems IT GmbH, Bonn
- Diebold Nixdorf Fuel and Convenience Solutions GmbH, Cologne

(31) Auditor's Fees.

The following fees for our Group auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, were recognized as expenses for services rendered during fiscal year 2018 and short fiscal year 2017:

	€k	
	Jan. 1, 2018 - Dec. 31, 2018	Oct. 1, 2017 - Dec. 31, 2017
For audit fees	1,603	548
For other certification or valuation services	155	0
For tax consultancy	287	138
For other services rendered to Diebold Nixdorf AG or its subsidiaries	0	1
Total	2,045	687

The fees for audit services provided by KPMG AG Wirtschaftsprüfungsgesellschaft relate primarily to the audit of the consolidated financial statements and the annual financial statements of Diebold Nixdorf AG as well as to the audit of annual and consolidated financial statements of various subsidiaries. Additionally, one audit was conducted in respect of the reporting package relating to interim financial statements of Diebold Nixdorf AG and various German subsidiaries for the purpose of their inclusion in the consolidated financial statements of Diebold Nixdorf Inc., North Canton, Ohio, USA.

Tax consultation services include tax consultation services concerning corporate restructuring, assistance relating to the preparation of transfer pricing documentation, general consultation services regarding the cross-border deployment of employees and staff secondment processes, excluding consultation services in respect of income taxes, assistance with the preparation of company tax returns, advance tax returns.

Other items include general consultation services with regard to the application or introduction of financial reporting principles.

(32) Statement of Compliance with the German Code of Corporate Governance.

The Board of Directors and Supervisory Board of Diebold Nixdorf AG have issued the statement of compliance with the German Code of Corporate Governance according to Section 161 of the German Stock Corporation Act, and have made it permanently available to the shareholders on the Diebold Nixdorf website www.dieboldnixdorfag.com under the column About Us/Investor Relations.

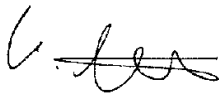
Information reported pursuant to Section 15a of the German Securities Trading Act ("Directors' Dealings") can be also obtained from the above mentioned website.

(33) Events after the Balance Sheet Date.

Within an Extraordinary General Meeting of Diebold Nixdorf AG on March 14, 2019, it was decided that the shares of the minority shareholders of Diebold Nixdorf AG are to be transferred to Diebold Nixdorf KGaA and in return a cash compensation of EUR 54.80 must be paid. In addition, the subsequent merger of Diebold Nixdorf AG was decided on Diebold Nixdorf KGaA.

Paderborn, April 25, 2019

Diebold Nixdorf AG, Paderborn



Dr. Näher
Chief Executive Officer



Twiggs
Chief Financial Officer



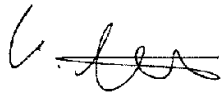
Heyden
Board Member

RESPONSIBILITY STATEMENT.

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Paderborn, April 25, 2019

Diebold Nixdorf AG, Paderborn



Dr. Näher
Chief Executive Officer



Twiggs
Chief Financial Officer



Heyden
Board Member

INDEPENDENT AUDITOR'S REPORT

To Diebold Nixdorf Aktiengesellschaft, Paderborn

Report on the audit of the consolidated financial statements and Group management report

Opinions

We have audited the consolidated financial statements of Diebold Nixdorf Aktiengesellschaft, Paderborn, and its subsidiaries ("Group" or "Diebold Nixdorf") – which comprise the consolidated statement of financial position as of December 31, 2018, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity for the financial year from January 1 to December 31, 2018, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the Group management report of Diebold Nixdorf Aktiengesellschaft, Paderborn, for the financial year from January 1 to December 31, 2018.

In our opinion, based on our audit findings,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315e(1) HGB and give a true and fair view of the net assets and financial position of the Group as of December 31, 2018, and of its results of operations for the financial year from January 1 to December 31, 2018, in accordance with these requirements, and
- the accompanying Group management report as a whole provides a suitable view of the Group's position. In all material respects, the Group management report is consistent with the consolidated financial statements, complies with German statutory requirements, and suitably presents the opportunities and risks of future development.
- Pursuant to Section 322(3) sentence 1 HGB, we state that our audit has not led to any reservations with respect to compliance of the consolidated financial statements and the Group management report.

Basis for opinion

We conducted our audit of the consolidated financial statements and Group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter referred to as "EU Audit Regulation") and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW). Our responsibilities under those regulations and guidelines are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and Group management report" section of our report. We are independent of the Group companies in accordance with the requirements of European Union law

as well as German commercial law and the rules of professional conduct, and we have fulfilled our other ethical responsibilities under German professional law in accordance with these requirements. In addition, pursuant to Article 10(2)(f) EU Audit Regulation, we hereby declare that we did not provide any of the prohibited non-audit services referred to in Article 5(1) EU Audit Regulation. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements and Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

The accrual-based recognition and the existence of revenues from the hardware, software and services business streams

Please refer to "Accounting and Valuation Principles" for details relating to the accounting policies applied and to Note 1 of the notes to the consolidated financial statements for information on the composition of net sales.

FINANCIAL STATEMENT RISK

In its income statement, Diebold Nixdorf reports revenues totaling EUR 2,400 million from the various hardware, software and services streams. Revenues are recognized when Diebold Nixdorf fulfills a performance obligation by transferring a promised good or a promised service to a customer. An asset is deemed transferred when the customer gains control of that asset. In accordance with the transfer of power of disposal, revenues from the various types of business are recognized on a time-related basis or for subsequent services in the area of software and services on a period-based basis.

Revenues are one of the most important performance indicators for the internal management of the Group. The amount of revenue also influences the variable remuneration of Group executives.

The risk for the financial statements is that the accrual and recognition of the revenue from the various types of business is not on an accrual basis. There is also a risk of deliberately influencing the timing of revenue recognition as well as a general risk associated with manual postings that increase revenues without the underlying transaction, for example, to achieve Group targets and influence the level of variable compensation.

OUR AUDIT APPROACH

In the course of our audit we assessed, in respect of the various products and services supplied and provided by the individual business streams, the structure and implementation as well as the effectiveness of internal controls aimed at ensuring accrual-based revenue recognition (i.e., accounting for revenues in the period in which they are earned), e.g., checks and controls that ensure that revenue can only be accounted for if corresponding dispatch/delivery notes or documentation of service performance exist.

To address the issue of risk associated with deliberate acts of influencing the timing of revenue recognition, among other things, we conducted a risk-based analysis of revenue postings and entries immediately prior and subsequent to the end of the reporting period for the purpose of ensuring that revenue had been recognized in accordance with the principles of accrual-based accounting. This included reviewing relevant documents such as dispatch notes, delivery notes, or approval reports in order to assess the requisite performance in respect of products supplied and services rendered as a basis for revenue recognition. As regards contractual agreements covering services to be provided over a defined period of time, we also assessed, on the basis of the contractual agreements, whether the accrual/deferral and recognition of revenue had been performed correctly for the duration of the contract.

To cover the risk of manual postings without an underlying transaction, we have reviewed and evaluated selected manual postings for revenue-oriented accounts for revenue-related accounts, as well as for postings to revenue accounts where the offsetting entry does not occur on trade receivables, underlying documents and records whether the registration has been made properly.

OUR CONCLUSIONS

The approach taken by Diebold Nixdorf in respect of the accrual basis of accounting for revenues is appropriate. In this context, there was no evidence to suggest that the timing of revenue recognition had been deliberately influenced or affected.

Measurement of obligations from deferred benefit plans for post-employment benefits and plan assets

Please refer to "Accounting and Valuation Principles" in the notes to the consolidated financial statements for details of accounting policies applied and to Note [19] in the notes to the consolidated financial statements for information on the composition of and changes to obligations relating to defined benefit plans as well as provisions for pensions.

FINANCIAL STATEMENT RISK

Defined benefit plans relating to post-employment benefits exist within the Diebold Nixdorf Group, particularly for employees in Germany. These result in net defined benefit obligations of €67.6 million. Totalling €81.0 million, these obligations are presented in "accruals for pensions and similar commitments" (i.e., provisions for pensions and similar obligations), having taken into account pension assets of €13.4 million presented in other non-current assets. The net obligations are calculated as the net amount of the present value of benefit obligations totaling €314.7 million and the fair value of plan assets totaling €247.1 million.

Actuarial assumptions in the form of estimates are required for the purpose of measuring these obligations by applying the projected unit credit method. In particular, the interest rate used in discounting the obligations has a material impact on the amount of obligations to be recognized. The discount rate is to be determined on the basis of market yields achievable at the end of the reporting period on high-quality corporate bonds. Additionally, depending on the benefits plan, assumptions have to be made with regard to the probability of mortality, long-term salary, and staff turnover rates. Estimates associated with actuarial assumptions require considerable judgment and, in some cases, in-depth knowledge of actuarial matters.

Alongside financial assets traded in an active market, the plan assets also include non-financial assets that are not traded in an active market (e.g., real estate assets). The process of determining the fair value of plan assets not traded in an active market is based on assumptions and estimates with regard to the recoverable amounts associated with such assets, in particular. These assumptions and estimates also require considerable judgment.

As the measurement of both large-scale benefit obligations and plan assets is based to a significant extent on assumptions and estimates made by the Management Board, as outlined above, the consolidated financial statements are exposed to an elevated risk of pension assets and pension provisions as well as similar obligations not having been measured correctly.

OUR AUDIT APPROACH

As part of our audit, we reviewed the actuarial reports prepared by external parties at the request of Diebold Nixdorf. In close collaboration with our actuaries, we considered, in particular, whether the actuarial assumptions and estimates made in the aforementioned reports are suitable for determining adequately the benefit obligations in accordance with IAS 19.

We had access to bank confirmations, other asset-specific documentation, and an independent report covering the valuation of real estate held within plan assets for the purpose of assessing the fair value of plan assets. We evaluated the expertise, skills, and objectivity of the expert commissioned by the Company, gained an understanding of the task performed by said expert, and assessed the suitability of his services in respect of audit evidence.

OUR CONCLUSIONS

The assumptions and estimates made by Diebold Nixdorf for the purpose of measuring defined benefit obligations and plan assets are suitable for adequately determining the net obligation from defined benefit pension plans.

■ Recognition and measurement of taxes on income in the consolidated financial statements.

Please refer to "Accounting and Valuation Principles" in the notes to the consolidated financial statements for details of accounting policies applied. As regards the composition of tax expense and further explanatory details relating to tax expense and tax items, please refer to Notes 6 and 13 in the notes to the consolidated financial statements.

FINANCIAL STATEMENT RISK

In the financial year 2016/2017, a control (also referred to elsewhere as "domination" – the term officially used under IAS/IFRS is "control") and profit and loss transfer agreement ("DLPTA") came into force between Diebold Nixdorf Aktiengesellschaft and Diebold Holding Germany Inc. & Co. KGaA (Diebold Nixdorf KGaA), a wholly-owned subsidiary of Diebold Nixdorf, Incorporated, upon entry in the Commercial Register at the District Court of Paderborn. Due to the thus resulting inclusion of Diebold Nixdorf Aktiengesellschaft and the domestic entities formerly belonging to the tax group of Diebold Nixdorf Aktiengesellschaft in the consolidated tax group of Diebold KGaA in respect of taxes on income, any liability for income tax payments relating to Diebold Nixdorf Aktiengesellschaft expired. All profits/losses of the domestic tax group are now legally subject to taxation in respect of Diebold Nixdorf

KGaA, which is not included in the consolidated financial statements of Diebold Nixdorf Aktiengesellschaft.

Rather than adopting a position based on the formal procedures of the law, Diebold Nixdorf opted for an approach in which the relevant tax items are allocated from an economic/commercial perspective (substance over form). This method is based on the notional existence (i.e., legal fiction) of a separate liability in respect of taxation on the part of controlled entities belonging to the Group. Consequently, all effects of taxation relating to these entities were accounted for in the consolidated financial statements of Diebold Nixdorf. This includes the recognition of current taxes as well as the aspect of accounting for tax risks and possible tax back payments or refunds for prior periods, in addition to the concomitant effects in regard to deferred taxes.

Beyond the domestic tax group, Diebold Nixdorf engages in business in various jurisdictions around the globe, with all the concomitant challenges and risks in respect of local legislation governing taxation. In this context, the associated risks relate primarily to the tax treatment or assessment of intra-group business activities and transactions by the respective tax authorities and the various tax laws – including changes thereto – in the individual jurisdictions. Therefore, any estimation as to whether or to what extent individual circumstances and business transactions may result in tax back payments in the context of current or future tax assessments or audits is associated with considerable levels of uncertainty. Given this significant level of uncertainty regarding the use of estimates, the consideration of such tax-related risks when determining tax expense for the tax group and when recognizing and measuring provisions in respect of tax-specific obligations of Group entities beyond the tax group requires a considerable degree of judgment on the part of Diebold Nixdorf. Thus, as regards the consolidated financial statements, there is the risk that income taxes are over- or understated.

OUR AUDIT APPROACH

We integrated our in-house staff specializing in local and international tax legislation within our audit team in order to form an opinion in respect of the tax calculations, including risk assessment, conducted by Diebold Nixdorf.

We gained an understanding of existing tax-specific risks as part of meetings conducted with the senior managers of the Group entities involved as well as with staff members responsible for tax-related issues. Additionally, our specialists reviewed the assumptions applied when determining tax expense for the domestic tax group and those relating to the determination of tax provisions for entities not belonging to the tax group. In doing so, they drew on their knowledge and experience relating to the current application of relevant statutory regulations by the tax authorities and by judicial bodies, in addition to assessing pertinent correspondence with the respective tax authorities.

OUR CONCLUSIONS

The assumptions made by Diebold Nixdorf regarding the consideration of tax-related risks when determining tax expense for the domestic tax group as well as in respect of the recognition and measurement of provisions for tax-specific obligations relating to entities beyond the tax group are appropriate.

Responsibilities of the Management Board and Supervisory Board for the consolidated financial statements and the Group management report

The Management Board is responsible for the preparation of the consolidated financial statements which, in all material respects, comply with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. Furthermore, the Management Board is responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. Furthermore, the Management Board is responsible for disclosing, as applicable, matters related to the going concern. In addition, the Management Board is responsible for using the going concern basis of accounting unless the intention is to liquidate the Group or to cease operations, or there is no realistic alternative to do so.

Moreover, the Management Board is responsible for preparing the Group management report, which as a whole provides a suitable view of the Group's position, and, in all material respects, is consistent with the consolidated financial statements, complies with German statutory requirements, and suitably presents the opportunities and risks of future development. Furthermore, the Management Board is responsible for such arrangements and measures (systems) as they determine are necessary to enable the preparation of the Group management report in compliance with the applicable requirements of German commercial law and for providing sufficient and appropriate evidence for the assertions in the Group management report.

The Supervisory Board is responsible for monitoring the Group's financial reporting process for the preparation of the consolidated financial statements and the Group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and the Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the Group management report as a whole provides a suitable view of the Group's position, as well as, in all material respects, is consistent with the consolidated financial statements and our audit findings, complies with German statutory requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our opinion on the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation, as well as in compliance with the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW), will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

As part of our audit we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the consolidated financial statements and the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements, and of the arrangements and measures relevant to the audit of the Group management report, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and Group management report or, if such disclosures are inadequate, to modify our particular opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the Group management report. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.
- Evaluate consistency of the Group management report with the consolidated financial statements, its legal compliance, and presentation of the Group's position.
- Perform audit procedures on the prospective information presented by the Management Board in the Group management report. Based on sufficient and appropriate audit evidence, we hereby in particular trace the significant assumptions used by the Management Board as a basis for the prospective information and assess the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information as well as the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Other disclosures pursuant to Article 10 of the EU Audit Regulation

We were appointed by the Annual General Meeting on May 17, 2018 as the group auditors. We were commissioned by the Chairman of the Supervisory Board on December 14, 2018. Including the renewal in accordance with section 318 (1a) HGB, we have been continuously auditing the consolidated financial statements of Diebold Nixdorf Aktiengesellschaft since the 2003/2004 financial year.

We declare that the audit opinion in this auditor's report is consistent with the additional report to the audit committee referred to in Article 11 of the EU Audit Regulation (audit report).

Statutory auditor responsible for the engagement

The auditor responsible for the engagement is Carsten Nölgen.

Bielefeld, April 25, 2019

KPMG AG

Wirtschaftsprüfungsgesellschaft

gez. Ufer

gez. Nölgen

Wirtschaftsprüfer

Wirtschaftsprüfer