

Diebold Nixdorf AG Quarterly Statement

1st Quarter of Fiscal Year 2016/2017

For the period from October 1 to December 31, 2016

Key figures Q1 2016/2017

	3 months		
Statement of Income (€millions)	3 months 2016/2017 ¹	3 months 2015/2016 ²	Change
Net sales	619	727	-15%
of which Banking	369	436	-15%
of which Retail	250	291	-14%
Gross profit without one time effects	149	173	-14%
Gross profit as a percentage of net sales	24.1%	23.8%	-
Research & development expenses without one time effects	-22	-23	-4%
R&D expenses as a percentage of net sales	3.6%	3.2%	-
Selling, general and administration expenses³ without one time effects	-77	-84	-8%
SG&A expenses as a percentage of net sales	12.4%	11.6%	-
Operating profit (EBITA)⁴ without one time effects	50	66	-24%
EBITA as a percentage of net sales (EBITA margin)	8.1%	9.1%	-
of which Banking	34	49	-31%
<i>as a percentage of net sales Banking</i>	9.2%	11.2%	-
of which Retail	16	17	-6%
<i>as a percentage of net sales Retail</i>	6.4%	5.8%	-
One-time effects	0	-12	-
Operating profit (EBITA)⁴ incl. one time effects	50	54	-7%
EBITA as a percentage of net sales (EBITA margin)	8.1%	7.4%	-
Amortization/depreciation of intangible and tangible assets and write-down of reworkable service parts	13	15	-13%
EBITDA	63	69	-9%
EBITDA as a percentage of net sales (EBITDA margin)	10.2%	9.5%	-
Transaction expenses relating to the business combination agreement with Diebold Nixdorf Inc.	-3	0	-
Operating profit (EBITA)⁴ incl. one time effects and transaction expenses	47	54	-13%
EBITA as a percentage of net sales (EBITA margin)	7.6%	7.4%	-
Profit for the period	32	37	-14%
Profit for the period as a percentage of net sales	5.2%	5.1%	-
Cash flow (€millions)			
Cash flow from operating activities	50	84	-40%
Dec. 31, 2016 Sept. 30, 2016 Change			
Key Balance Sheet Figures (€millions)			
Working capital	305	304	1
as a percentage of net sales (annualized)	12.3%	11.8%	-
Net debt ⁵	-101	-7	-94
Equity ⁶	489	441	48
Human Resources			
Number of employees	9 045	9 080	-35

1) October 01, 2016 - December 31, 2016.

2) October 01, 2015 - December 31, 2015.

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

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

5) Including financing Diebold Net Debt of €13 million in FY 16/17 and €51 million in FY 15/16.

6) Including non-controlling interests.

Significant events

Effective from October 1, 2016, the Board of Directors was expanded to include Alan Kerr, who is responsible for Software, and Stefan E. Merz, whose remit covers Corporate Strategy and Development. Alan Kerr has held the position of Senior Vice President Software at Diebold Nixdorf Inc. (formerly Diebold Inc.) since August 2014. Stefan E. Merz has held the position of Senior Vice President Strategic Projects at Diebold Nixdorf Inc. since August 2013.

In the period under review the Company was renamed Diebold Nixdorf Aktiengesellschaft ("Diebold Nixdorf AG"), as agreed at the Extraordinary General Meeting convened on September 26, 2016. Actions for annulment (so-called Anfechtungsklagen) were initially brought against the control (also referred to as "domination") and profit transfer agreement with Diebold Holding Germany Inc. & Co. KGaA that was also approved at the Extraordinary General Meeting. Hence the domination and profit transfer agreement could not become effective as the required registration at the Commercial Register was initially not feasible. After settlement with the plaintiffs at the beginning of February 2017 all actions for annulment have been withdrawn and the registration in the Commercial Register regarding the domination and profit transfer agreement took place on February 14th 2017 and became for this reason effective.

Additionally, the Company is still awaiting a decision as to the planned combination of business activities in respect of the United Kingdom (UK) market. Diebold and Wincor Nixdorf continue to operate as separate, and thus competing, entities in the UK, as the definitive ruling by the Competition and Markets Authority (CMA) with regards to the planned business combination is still pending.

Net sales, operating profit, and cash flows

Net sales generated by Diebold Nixdorf AG in the first quarter of the 2016/2017 fiscal year were down 15% on the particularly buoyant prior-year quarter and amounted to €619 million (2015/2016: €727 million). The region comprising Asia/Pacific/Africa in particular saw a significant downturn in net sales in both segments due to the transfer of business activities in China. Net sales were also significantly lower in North America.

Operating profit (EBITA), excluding non-recurring items, fell by 24% to €50 million (2015/2016: €66 million). This corresponds to an EBITA ratio of 8.1% (2015/2016: 9.1%). The reduction in the EBITA ratio is attributable to lower net sales in conjunction with less pronounced economies of scale.

In the quarter under review transaction expenses relating to the business combination with Diebold Nixdorf Inc. amounted to €3 million.

At €369 million (2015/2016: €436 million), the Banking segment recorded a downturn in net sales of 15% in the first quarter of the financial year. The Retail segment saw net sales decline by 14% year on year to €250 million (2015/2016: €291 million).

Compared to the same period a year ago, business developed along divergent lines in the various sales regions over the course of the first quarter. In Germany, net sales achieved €156 million as in prior year. In Europe (excluding Germany), net sales declined by 6% to €315 million (2015/2016: €334 million). The region encompassing Asia/Pacific/Africa saw net sales fall by 30% to €95 million (2015/2016: €136 million), while the Americas recorded a 48% downturn in net sales to €53 million (2015/2016: €101 million).

In terms of business streams, net sales developed as follows: Hardware revenue fell by 19% to €272 million (2015/2016: €337 million), while net sales attributable to Software/Services declined at a less pronounced rate of 11%, taking the figure to €347 million (2015/2016: €390 million).

In the first three months of fiscal 2016/2017 net cash from operating activities totaled €50 million (2015/2016: €84 million). Operating cash flow was affected in particular by the decline in EBITDA to €60 million (2015/2016: €69 million), after transaction expenses relating to the business combination with Diebold Nixdorf Inc., as well as a lower inflow of cash of €1 million (2015/2016: €23 million) due to the change in working capital. Net cash used in investing activities stood at €12 million (2015/2016: €0 million), the emphasis being on investments in fixed assets and office equipment. Net cash from financing activities totaled €50 million (2015/2016, net cash used: €5 million). This item includes an increase in financial loans from related parties totaling €56 million (2015/2016: €0 million).

Opportunities and risks

In the period under review, there were no significant changes to the principal opportunities and risks described in the 2015/2016 Group management report that might have a major impact on the expected development of the Group of Diebold Nixdorf AG in the remaining months of the current fiscal year.

Outlook

Based on business performance in the first quarter of fiscal 2016/2017, the estimates in respect of the fiscal year 2016/2017, as presented in the report on expected developments published as part of the 2015/2016 annual report, initially remain unchanged. In this context, we continue to expect net sales to be slightly up on net sales recorded in the preceding year, while operating profit (EBITA) before non-recurring items is expected to be on a par with the prior-year figure. This guidance continued to be subject to the caveat, as discussed in the 2015/2016 annual report, that the control (also referred to as "domination") and profit transfer agreement with Diebold Holding Germany Inc. & Co. KGaA has not yet come into effect. As the domination and profit transfer agreement was effectively entered into the Commercial Register only on 14 February 2017, and therefore one day before the publication of this report, the guidance still applies unchanged.

Disclaimer:

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