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Diebold Nixdorf AG Quarterly Statement

3rd Quarter of Fiscal Year 2018
For the period from January 1, to September 30, 2018

Key Figures 2018

Statement of Income (€ millions)	9 months 2018 [1]	9 months 2017 [2]	Change
Net sales	**1.714**	**1.743**	**-2%**
of which Banking	1.016	980	4%
of which Retail	698	763	-9%
Gross profit without restructuring expenses*	**370**	**422**	**-12%**
Gross profit as a percentage of net sales	21,6%	24,2%	-
Research & development expenses without restructuring expenses*	**-66**	**-64**	**3%**
R&D expenses as a percentage of net sales	3,9%	3,7%	-
Selling, general and administration expenses [3] without restructuring expenses*	**-206**	**-208**	**-1%**
SG&A expenses as a percentage of net sales	12,0%	11,9%	-
Operating profit (EBITA) [4] without integration and restructuring expenses*	**98**	**150**	**-35%**
EBITA as a percentage of net sales (EBITA margin)	5,7%	8,6%	-
of which Banking	60	89	-33%
as a percentage of net sales Banking	5,9%	9,1%	-
of which Retail	38	61	-38%
as a percentage of net sales Retail	5,4%	8,0%	-
Restructuring expenses*	**-23**	**-27**	**-**
Operating profit (EBITA) [4] incl. restructuring expenses*	**75**	**123**	**-39%**
EBITA as a percentage of net sales (EBITA margin)	4,4%	7,1%	-
Amortization/depreciation of intangible and tangible assets and write-down of reworkable service parts	**48**	**39**	**23%**
EBITDA [4] without integration and restructuring expenses*	**146**	**189**	**-23%**
EBITDA as a percentage of net sales (EBITDA margin)	8,5%	10,8%	-
Integration expenses**	**-8**	**-4**	**-**
Operating profit (EBITA) [4] incl. restructuring expenses* and integration expenses**	**67**	**119**	**-44%**
EBITA as a percentage of net sales (EBITA margin)	3,9%	6,8%	-
Profit for the period	**46**	**87**	**-47%**
Profit for the period as a percentage of net sales	2,7%	5,0%	-
Cash flow (€ millions)			
Cash flow from operating activities	-46	116	-140%
	30/09/18	**31/12/17**	**Change**
Key Balance Sheet Figures (€ millions)			
Net debt	158	92	66
Equity [5]	492	433	59
Human Resources			
Number of employees	8 814	8 401	413

1) January 01, 2018 - September 30, 2018.
2) January 01, 2017 - September 30, 2017.
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 non-controlling interests.

* Restructuring expenses relating to transformation programs
** Integration expenses realting to the business combination with Diebold Nixdorf, Inc.

Significant events

On August 30, 2018 Diebold Nixdorf, Inc. has 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 previously announced additional financing provides added capital to purchase all of the remaining shares of Diebold Nixdorf Aktiengesellschaft (hereinafter "Diebold Nixdorf AG"), repay debt and support key company initiatives -- including the company's multifaceted 'DN NOW' operational improvement plan.

Diebold Nixdorf, Inc. and Diebold Nixdorf AG have agreed on November 7, 2018 to implement a merger of Diebold Nixdorf AG (as transferring entity) into Diebold Nixdorf Holding Germany Inc. & Co. KGaA ("Diebold KGaA"), a wholly-owned direct subsidiary of Diebold Nixdorf, Inc., as surviving entity, in order to further simplify the structure of the Diebold Nixdorf Group. Accordingly, Diebold KGaA entered into negotiations with Diebold Nixdorf AG on a merger agreement, the completion of which will be subject to the approval of the supervisory board of Diebold Nixdorf AG. Following execution of the merger agreement, an extraordinary shareholders' meeting of Diebold Nixdorf AG will be called to resolve on the transfer of the shares of the remaining shareholders of Diebold Nixdorf AG to Diebold Nixdorf AG against adequate cash compensation. The extraordinary shareholders' meeting is expected to take place in the first quarter of 2019.

Christopher A. Chapman resigned from his position as Chief Financial Officer of Diebold Nixdorf AG at the end of November 20, 2018. The Supervisory Board elected Keith A. Twiggs as Chief Financial Officer effective from November 21, 2018 onwards.

Performance, Financial Position, and Assets

The comparative information presented in this Quarterly Statement, with the exception of the balance sheet, covers the period from January 1, 2017 to September 30, 2017 (unless stated otherwise). As a result of the change in the financial year, according to the resolution of the Annual General Meeting on January 23, 2017, which now corresponds to the calendar year, the figures given in the comparative period are pro-forma figures.

Net sales generated by Diebold Nixdorf AG in the first nine months of the 2018 fiscal year were down by 2% on the prior-year nine months and amounted to €1,714 million (2017: €1.743 million). The business in in the regions Asia/Pacific/Africa and Americas saw a significant downturn in net sales in particular in the Retail segment.

Operating profit (EBITA), excluding non-recurring items (integration and restructuring expenses) fell by 35% to €98 million (2017: €150 million) in the period under review. This corresponds to an EBITA ratio of 5.7% (2017: 8.6%). The reduction in the EBITA is attributable to lower net sales in conjunction with less pronounced economies of scale and an unfavorable product mix in both segments.

In the period under review integration expenses relating to the business combination with Diebold Nixdorf, Inc. amounted to €8 million (2017: €4 million); additionally restructuring expenses related to the transformation programs occurred in the amount of €23 million (2017: €27 million).

The Banking segment saw a slight increase in net sales by 4% to €1,016 million in the first nine months of the fiscal year 2018 (2017: €980 million); net sales generated in the Retail segment declined by 9% in the period under review, taking the figure to €698 million (2017: €763 million).

In the regions, business in the first nine months of fiscal year 2018 developed differentially and declined in total compared with the same period of the previous year. In Germany, net sales increased by 7% to €440 million (2017: €412 million). In Europe (excluding Germany), net sales slightly raised by 1% and achieved €921 million (2017: €909 million). The region encompassing Asia/Pacific/Africa saw noticeably net sales fall by 13% to €243 million (2017: €280 million), while the Americas recorded a substantive 23% downturn in net sales to €110 million (2017: €142 million).

In terms of business streams, net sales developed as follows: Hardware revenue increased by 2% to €747 million (2017: €733 million), while net sales attributable to Software/Services declined at a rate of 4%, taking the figure to €967 million (2017: €1,010 million).

In the first nine months of fiscal 2018 net cash from operating activities totaled €-46 million (2017: €116 million). Net cash used in investing activities stood at €48 million (2017: €49 million), the emphasis being on investments in fixed assets and office equipment. Net cash provided from financing activities totaled €50 million (2017: net cash used €124 million).

Report on Opportunities and Risks

The parent company of Diebold Nixdorf AG, Diebold Nixdorf, Inc. has announced in its half-year report on August 1, 2018 that it is currently fulfilling all of its financial lending obligations, but is nevertheless in discussion with its key lenders to revise the existing loan arrangements based on the adjusted forecast. On August 30, 2018 Diebold Nixdorf, Inc. has 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 previously announced additional financing provides added capital to purchase all of the remaining shares of Diebold Nixdorf AG, repay debt and support key company initiatives -- including the company's multifaceted 'DN Now' operational improvement plan. Since Diebold Nixdorf AG is directly dependent on Diebold Nixdorf, Inc., any revision of the credit agreements can basically lead to opportunities as well as to risks.

In addition, there were no significant changes in the opportunities and risks described in the consolidated financial statements of Diebold Nixdorf AG for the short fiscal year ending December 31, 2017, which could have a significant impact on the expected development of the Group in the remaining months of the current fiscal year.

Report on Expected Development

Based on the business development in the first nine months of fiscal 2018, the outlook for the fiscal 2018, published in the interim report for the first six months of fiscal 2018, remain unchanged.

For fiscal 2018 we expected the net sales would be at a level of or slightly higher than €2,300 million. We now expect a slight decline in the low single-digit percentage range, mainly due to a weaker business development in the Retail segment. With regard to EBITA (excluding integration and restructuring costs), we predicted that the pro forma prior-year figure for the 2017 calendar year of about €210 million will clearly decrease. Due to the lower business volume and a disadvantageous revenue mix in the Retail segment, a continuing price decline in the Banking segment and higher costs in the Services area, we now expect that EBITA for the 2018 financial year will be significantly below the pro-forma prior-year figure and approximately amounting to slightly more than the half of this value. In addition, we assume that the new "DN NOW" Group cost improvement program will result in higher one-time expenses compared to the original forecast but these cannot be finally quantified yet.

The outlook for the 2018 financial year is generally subject to heightened uncertainty, because due to the domination agreement instructions from the parent company can occur at any time, which could have a material impact on the business development of the Diebold Nixdorf AG Group in fiscal 2018. Due to the merging of business units, some of which has already taken place and the plans to continue in 2018, comparability with previous financial statements is considerably more difficult.