RUDOLPH TECHNOLOGIES INC
Form DEFR14A
May 08, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

(Amendment No. 2)

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to (S) 240.11 or (S) 240.14a-12

Rudolph Technologies, Inc.
(Exact name of Registrant as specified in its charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Explanatory Note

As presented in the Proxy Statement, Rudolph Technologies   proposed 2009 Stock Plan stated that no repricing of stock options or stock appreciation rights would be performed by the Administrator without stockholder approval. While this statement was intended to assure that Exchange Programs would receive stockholder approval before implementation, such was not explicitly stated. Thus, the Company has elected to amend the 2009 Stock Plan to require stockholder approval before any repricing or Exchange Program is performed. In addition to this change, the Company has elected to reduce the number of shares requested under the 2009 Stock Plan from 5,000,000 to 3,300,000 shares, subject to adjustment in connection with certain equity restructuring events defined in the proxy, as well as reduce the term of the proposed 2009 Employee Stock Purchase Plan from twenty (20) years to ten (10) years.

TABLE OF CONTENTS

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS To be held May 19, 2009
RUDOLPH TECHNOLOGIES, INC.
PROXY STATEMENT
INFORMATION CONCERNING SOLICITATION AND VOTING
CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES
ELECTION OF DIRECTORS
PROPOSAL 2 APPROVAL OF RUDOLPH TECHNOLOGIES, INC. 2009 STOCK PLAN
PROPOSAL 3 APPROVAL OF RUDOLPH TECHNOLOGIES, INC. 2009 EMPLOYEE STOCK PURCHASE PLAN
PROPOSAL 4 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS
AUDIT COMMITTEE REPORT
EXECUTIVE COMPENSATION
COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION
SECURITY OWNERSHIP
EQUITY COMPENSATION PLAN INFORMATION
SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE
OTHER MATTERS

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To be held May 19, 2009

TO THE STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the 2009 Annual Meeting of Stockholders of Rudolph Technologies, Inc. (the Company), a Delaware corporation, will be held on May 19, 2009 at 10:00 a.m., local time, at the Company s corporate headquarters, located at One Rudolph Road, Flanders, New Jersey, 07836, for the following purposes:

1. To elect two Class I directors to serve for three-year terms expiring upon the 2012 Annual Meeting of Stockholders or until their successors are elected;

2. To approve the Rudolph Technologies, Inc. 2009 Stock Plan;

3. To approve the Rudolph Technologies, Inc. 2009 Employee Stock Purchase Plan;

4. To ratify the appointment of Ernst & Young LLP as our independent registered public accountants for the year ending December 31, 2009; and

5. To transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Included in the mailing of this Proxy Statement is a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

Only stockholders of record at the close of business on March 31, 2009 are entitled to notice of and to vote at the meeting and any adjournment thereof.

All stockholders are cordially invited to attend the meeting in person. However, to ensure your representation at the meeting, you are urged to mark, sign, date and return the enclosed proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose. Any stockholder attending the meeting may vote in person even if such stockholder has returned a proxy.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 19, 2009:

The enclosed proxy statement and 2008 Annual Report to Stockholders are available at www.proxydocs.com/rtec.

FOR THE BOARD OF DIRECTORS

Steven R. Roth
Secretary

Flanders, New Jersey
April 17, 2009

Table of Contents

RUDOLPH TECHNOLOGIES, INC.

PROXY STATEMENT

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed Proxy is solicited on behalf of the Board of Directors of Rudolph Technologies, Inc. (the Company) for use at the 2009 Annual Meeting of Stockholders to be held May 19, 2009 at 10:00 a.m., local time (the Annual Meeting), or at any adjournment thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the Company s corporate headquarters, located at One Rudolph Road, Flanders, New Jersey, 07836. The Company s telephone number is (973) 691-1300.

These proxy solicitation materials and the Company s Annual Report to Stockholders for the year ended December 31, 2008, including financial statements, were mailed on or about April 17, 2009 to stockholders entitled to vote at the meeting.

Record Date and Voting Securities

Stockholders of record at the close of business on March 31, 2009 (the Record Date) are entitled to notice of and to vote at the meeting. At the Record Date, 30,811,170 shares of the Company s Common Stock, $0.001 par value, were issued and outstanding.

Revocability of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to the Secretary of the Company at the Company s principal executive offices a written notice of revocation or a duly executed proxy bearing a later date or by attending the meeting and voting in person.

Voting and Solicitation

Each stockholder of record is entitled to one vote for each share of Common Stock owned by such stockholder on all matters presented at the Annual Meeting. Stockholders do not have the right to cumulate their votes in the election of directors.

The Company will bear the cost of soliciting proxies. In addition, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Solicitation of proxies by mail may be supplemented by telephone, telegram, facsimile or personal solicitation by directors, officers or regular employees of the Company. No additional compensation will be paid to such persons for such services.

Quorum; Abstentions; Broker Non-votes

The required quorum for the transaction of business at the Annual Meeting is a majority of the votes eligible to be cast by holders of shares of Common Stock issued and outstanding on the Record Date.

If you return a signed and dated Proxy but do not indicate how the shares are to be voted, those shares will be voted as recommended by the Board. A valid Proxy also authorizes the individuals named as proxies to vote your shares in their discretion on any other matters which, although not described in the Proxy Statement, are properly presented for action at our Annual Meeting. If you indicate on your Proxy that you wish to

---

abstain from voting on an item, your shares will not be voted on that item. Abstentions and broker non-votes are not counted in determining the number of shares voted for or against any nominee for Director or any other proposal, but will be counted to determine whether there is a quorum present. There is no right to cumulative voting.

In order to have a quorum present at the Annual Meeting, a majority of our shares of common stock that are outstanding and entitled to vote at the Annual Meeting must be represented in person or by proxy. If a quorum is not present, the Annual Meeting will be rescheduled for a later date.

Vote Required

Each director shall be elected by the vote of the majority of the votes cast. This means that the number of shares cast for a director s election exceeds the number of votes cast against that director s election (with abstentions and broker non-votes not counted as a vote cast either for or against that director s election, although abstentions count for quorum purposes). All of the other proposals require the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter. For the other proposals, abstentions are counted for quorum purposes, but in effect count as negative votes because they are shares represented by proxy that are not voted in the affirmative. Broker non-votes are not shares represented by proxy and are not counted as part of the vote total and have no effect on the outcome.

Deadlines for Submission of Stockholder Proposals for 2010 Annual Meeting

Stockholders of the Company are entitled to present proposals for consideration at forthcoming stockholder meetings provided that they comply with the proxy rules promulgated by the Securities and Exchange Commission (the SEC) and the Bylaws of the Company. Stockholders wishing to present a proposal at the Company s 2010 Annual Stockholder Meeting must submit such proposal in writing to the Company no later than by December 22, 2009 if they wish for it to be eligible for inclusion in the proxy statement and form of proxy relating to that meeting. In addition, under the Company s Bylaws, a stockholder wishing to make a proposal at the 2010 Annual Stockholder Meeting must submit such a proposal in writing to the Company no later than March 12, 2010. The Nominating and Governance Committee will consider qualified director nominees recommended by stockholders. Our process for receiving and evaluating Board member nominations from our stockholders is described below under the caption Nominating and Governance Committee.

No Appraisal Rights

Stockholders have no dissenters rights of appraisal with respect to any of the matters to be voted upon at the Annual Meeting.

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

Rudolph Technologies is committed to sound and effective corporate governance practices. Having such principles is essential to running our business efficiently and to maintaining our integrity in the marketplace. The major components of our corporate governance practices are described below.

Codes of Ethics

We have adopted a Code of Business Conduct and Ethics and a Financial Code of Ethics that set forth principles to guide all employees, executive officers and directors and establish procedures for reporting any violations of these principles. These may be found on our website at http://www.rudolphtech.com/CodesEthics.aspx or may be requested by writing to Rudolph Technologies, Inc., Attention: Investor Relations, One Rudolph Road, P.O. Box 1000, Flanders,

New Jersey 07836. The Company will disclose any amendment to its codes of ethics or waiver of a provision of its codes of ethics applicable to its officers, including the name of the officer to whom the waiver was granted, on our website at www.rudolphtech.com, on the Investor Relations page.

Table of Contents

Board Meetings and Committees

The Board of Directors of the Company held a total of four meetings during 2008. No director attended fewer than 100% of the meetings of the Board of Directors, except Carl E. Ring, Jr. who resigned from the Board in August 2009 and Michael W. Wright who resigned from the Board in May 2009. In addition, no director attended fewer than 88.9% of the committee meetings upon which such director served, except for the directors as cited above. While the Company does not currently have a formal policy regarding the attendance of directors at the annual meeting of stockholders, directors are encouraged to attend. All then current members of the Board of Directors attended the 2008 Annual Meeting of Stockholders. The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Governance Committee, each of which has adopted a written charter. The charters of these committees are in compliance with rules adopted by the SEC and the NASDAQ Global Select Market® on which our stock is listed (Nasdaq).

Board Independence

The Board makes an annual determination as to the independence of each of our Board members under the current standards for independence established by Nasdaq and the SEC. The Board has determined that the following members of the current Board, consisting of a majority of the Board, satisfy these independence standards: Daniel H. Berry, Leo Berlinghieri, Richard F. Spanier, Thomas G. Greig, Aubrey C. Tobey and John R. Whitten. In addition, on four occasions during 2008, our Board met in executive sessions in which solely the independent Board members were present.

Audit Committee

We have an Audit Committee that assists the Board in fulfilling its responsibilities for general oversight of the integrity of our financial statements and with our compliance with legal and regulatory requirements. Specifically, the Audit Committee recommends engagement of the Company s independent registered public accountants, and is primarily responsible for approving the services performed by the Company s independent registered public accountants and for reviewing and evaluating the Company s accounting principles and its system of internal accounting controls. The report of our Audit Committee is found below under the caption Audit Committee Report.

The Audit Committee is governed by its own charter that sets forth its specific responsibilities and the qualifications for membership to the committee. The charter of the Audit Committee is available on our website at www.rudolphtech.com, on the Investor Relations page. The Audit Committee held nine meetings in 2008. There was a change to the composition to the Audit Committee in which Richard F. Spanier and Thomas G. Greig were appointed to the Audit Committee, replacing Paul Craig and Aubrey C. Tobey in October 2008. Consistent with the foregoing, the Audit Committee is currently composed of Directors, Thomas G. Greig, Richard F. Spanier and John R. Whitten. The Board has determined that Thomas G. Greig, Richard F. Spanier and John R. Whitten meet the requirements for membership to the Audit Committee set forth by Nasdaq and the SEC, including that they be independent.

The Board has determined that John R. Whitten meets the definition of an Audit Committee Financial Expert under SEC rules, and also has the level of financial sophistication required of at least one member of the Audit Committee under Nasdaq rules.

Compensation Committee

The Compensation Committee has its own charter that sets forth its specific responsibilities, including the establishment of the policies upon which compensation of and incentives for the Company s executive officers will be based, the review and approval of the compensation of the Company s executive officers, and the administration of the

Company s stock and stock purchase plans. The charter of the Compensation Committee is available on our website at www.rudolphtech.com, on the Investor Relations page.

The Compensation Committee held 14 meetings during the last year including four meetings held prior to the Board of Directors meeting where all Compensation Committee members attended in person. This

Committee is currently composed of Directors Daniel H. Berry, Leo Berlinghieri and Aubrey C. Tobey. There was a change to the composition to the Compensation Committee in which Leo Berlinghieri and Aubrey C. Tobey were appointed to the Compensation Committee, replacing Carl E. Ring, Jr. and Paul Craig in October 2008. The Board has determined that Daniel H. Berry, Leo Berlinghieri and Aubrey C. Tobey meet the requirements for membership on the Compensation Committee, including the independence requirements of Nasdaq. For a complete discussion of the Compensation Committee, please refer to the Executive Compensation section of the Compensation, Discussion and Analysis (CD&A).

Nominating and Governance Committee

Like the other committees of the Board, the Nominating and Governance Committee has its own charter that outlines its responsibilities. These responsibilities include identifying prospective director nominees and recommending to the Board director nominees for the next annual meeting of stockholders and replacements of a director in the event a director steps down. The Nominating and Governance Committee also recommends to the Board director nominees for the Audit and Compensation Committees. The charter of the Nominating and Governance Committee is available on our website at www.rudolphtech.com, on the Investor Relations page.

The Nominating and Governance Committee is currently composed of Directors Thomas G. Greig, Richard F. Spanier and Aubrey C. Tobey and held five meetings during the last year. Michael W. Wright was a member of the Nominating and Governance Committee until his resignation from the Board in May 2008. The Board has determined that all of these directors meet the requirements for membership to the Nominating and Governance Committee, including the independence requirements of Nasdaq.

The Nominating and Governance Committee determines the required selection criteria and qualifications of director nominees based upon the needs of the Company at the time nominees are considered. A candidate must possess the ability to apply good business judgment and must be in a position to properly exercise his or her duties of loyalty and care. Candidates should also exhibit proven leadership capabilities, high integrity and experience with a high level of responsibilities within their chosen fields, and have the ability to grasp complex principles of business, finance, international transactions and semiconductor inspection and metrology technologies. When current Board members are considered for nomination for reelection, the Nominating and Governance Committee also takes into consideration their prior contributions to and performance on the Board and their record of attendance.

The Nominating and Governance Committee will consider the above criteria for nominees identified by the Nominating and Governance Committee itself, by stockholders, or through some other source. The Nominating and Governance Committee uses the same process for evaluating all nominees, regardless of the original source of nomination. The Nominating and Governance Committee may use the services of a third party search firm to assist in the identification or evaluation of Board member candidates.

The Nominating and Governance Committee has a formal policy with regard to consideration of director candidates recommended by the Company s stockholders. In accordance with the policy, the Committee will consider recommendations and nominations for candidates to the Board of Directors from stockholders of the Company holding no less than 1% of the Company s securities for at least twelve months prior to the date of the submission of the recommendation or nomination. Stockholders wishing to recommend persons for consideration by the Nominating and Governance Committee as nominees for election to the Company s Board of Directors can do so by writing to the Office of the General Counsel of the Company at its principal executive offices giving each such person s name, biographical data and qualifications. Any such recommendation should be accompanied by a written statement concerning the eligibility and qualifications from the person recommended and of his or her consent to be named as a nominee and, if nominated and elected, to serve as a director. The Company s Bylaws also contain a procedure for stockholder nomination of directors.

Communications with the Board of Directors

We have a formal policy regarding communications with the Board of Directors. Stockholders may communicate with the Board of Directors by writing to them at c/o Rudolph Technologies, Inc., Office of the

General Counsel, One Rudolph Road, P.O. Box 1000, Flanders, New Jersey 07836 and such communications will be forwarded to the Board of Directors. Stockholders who would like their submission directed to a member of the Board of Directors may so specify, and the communication will be forwarded to such specific directors, as appropriate.

PROPOSAL 1

ELECTION OF DIRECTORS

Nominees

The authorized number of directors is currently established at seven. The Company s Certificate of Incorporation provides that the directors shall be divided into three classes, with the classes serving for staggered, three-year terms. Currently there are two directors in each of Class I and Class III and three directors in Class II. Each of the two Class I directors are to be elected at this Annual Meeting and will hold office until the 2012 Annual Meeting or until their successors have been duly elected and qualified. Each of the three Class II directors will hold office until the 2010 Annual Meeting or until their successors have been duly elected and qualified and each of the two Class III directors will hold office until the 2011 Annual Meeting or until their successors have been duly elected and qualified. These directors were approved by the Board for inclusion on this Proxy Statement based on the recommendation of the Nominating and Governance Committee.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company s two nominees named below, each of whom is currently a director of the Company. In the event that any nominee of the Company becomes unable or declines to serve as a director at the time of the Annual Meeting, the proxy holders will vote the proxies for any substitute nominee who is designated by the current Board of Directors to fill the vacancy. It is not expected that any nominee listed below will be unable or will decline to serve as a director.

The names of the two Class I nominees for director and certain information about each of them are set forth below. The names of, and certain information about, the current Class II and Class III directors with unexpired terms are also set forth below. All information is as of the Record Date.

Name	Age	Position	Director Since
Nominee Class I Directors:			
Leo Berlinghieri(1)	55	Chief Executive Officer and President, MKS Instruments, Inc.	2008
Paul F. McLaughlin	63	Chairman and Chief Executive Officer, Rudolph Technologies, Inc.	1996
Continuing Class II Directors:			
Daniel H. Berry	63	Operating Partner, Riverside Partners, LLC	1998
Thomas G. Greig	61	Managing Director, Liberty Capital Partners, Inc.	2003
Richard F. Spanier	69	Retired, Chairman Emeritus	1966
Continuing Class III Directors:			
Aubrey C. Tobey	83	President, ACT International	1998
John R. Whitten	62	Former Chief Financial Officer, Vice President and Treasurer, Applied Industrial Technologies, Inc.	2006

(1) Mr. Berlinghieri was appointed to the Board of Directors on September 18, 2008.

Except as indicated below, each nominee or incumbent director has been engaged in the principal occupation set forth above during the past five years. There are no family relationships between any directors or executive officers of the Company.

Paul F. McLaughlin has served as the Company s Chairman since January 2000 and Chief Executive Officer and as a director of the Company since June 1996. Mr. McLaughlin holds a B.S. in Metallurgical Engineering from Rensselaer Polytechnic Institute, an M.S. in Metallurgy and Materials Science from Lehigh University and an M.B.A. from Harvard University Graduate School of Business Administration.

Daniel H. Berry has served as one of the Company s directors since October 1998. Since January 2002, Mr. Berry has been an Operating Partner of Riverside Partners, LLC, a private equity investment firm. From July 2004 to August 2007, Mr. Berry also served as Executive Vice President of Applied Precision, a Riverside portfolio company. He was employed by Ultratech Stepper, Inc. (presently Ultratech, Inc.), an equipment supplier to the semiconductor industry, from 1990 to 2001 in various positions including President and Chief Operating Officer from May 1999 to November 2001. Prior to this, Mr. Berry held positions at General Signal, Perkin Elmer and Bell Laboratories. Mr. Berry holds a B.S. in Electrical Engineering from the Polytechnic Institute of Brooklyn.

Leo Berlinghieri has served as one of the Company s directors since September 2008. Since July 2005, Mr. Berlinghieri has served as Chief Executive Officer and President of MKS Instruments, Inc., an equipment supplier to the semiconductor industry. From April 2004 to July 2005, Mr. Berlinghieri served as President and Chief Operating Officer and prior to that he served as Vice President and Chief Operating Officer from July 2003 to April 2004 for MKS Instruments, Inc. Mr. Berlinghieri is currently a board member of MKS Instruments, Inc.

Thomas G. Greig has served as one of the Company s directors since January 2003. Since July 1998, Mr. Greig has been a Managing Director of Liberty Capital Partners, Inc., a private equity investment firm. From December 1985 to July 1998, Mr. Greig was a Managing Director of Donaldson, Lufkin, & Jenrette, Inc., an investment banking firm. Mr. Greig holds a B.S. in Engineering from Princeton University, an M.S.E. in Electrical Engineering from New York University and an M.B.A. from Harvard University Graduate School of Business Administration. Mr. Greig is currently the Non-Executive Chairman of the Board of Black Box Corporation.

Richard F. Spanier has served as Chairman Emeritus of the Company s Board of Directors since January 2000 and prior to that as the Company s Chairman of the Board of Directors since September 1966. From September 1966 to June 1996, Dr. Spanier served as the Company s President and Chief Executive Officer. Dr. Spanier holds a B.S. in Physics, an M.S. in Physical Chemistry and a Ph.D. in Chemical Physics from Stevens Institute of Technology.

Aubrey C. Tobey has served as one of the Company s directors since October 1998. Since May 1987, Mr. Tobey has served as President of ACT International, a company which provides marketing and management services for high technology companies. Mr. Tobey holds a B.S. in Mechanical Engineering from Tufts University and an M.S. in Mechanical Engineering from the University of Connecticut. Mr. Tobey served as a director of Chartered Semiconductor Manufacturing, Ltd. until May 2003.

John R. Whitten has served as one of the Company s directors since July 2006 upon his appointment to the Company s Board of Directors. From November 1995 to December 2003, Mr. Whitten served as Chief Financial Officer, Vice President and Treasurer of Applied Industrial Technologies, Inc., an industrial supply distributor. Mr. Whitten is a C.P.A. and holds a B.B.A. in Accounting from Cleveland State University. Mr. Whitten is currently an independent director overseeing 70 portfolios in the fund complex of American Century Companies, Inc., a registered investment company, or its wholly owned subsidiaries.

Compensation of Directors

Directors who are employees of the Company receive no compensation for their services as members of the Board of Directors. In 2008, directors were not paid to serve on the committees of the Board of Directors with the exception of those directors serving as committee chairmen. John R. Whitten received cash

compensation of $2,500 each quarter for his services as the Chairman of the Audit Committee. Daniel H. Berry and Aubrey C. Tobey each received cash compensation of $2,500 for the 2008 fourth quarter for their services as the Chairman of the Compensation Committee and as the Chairman of the Nominating and Governance Committee, respectively. From time to time directors may be compensated for work performed as members of special subcommittees of the Board of Directors. No fees were paid to directors for special subcommittee work in 2008.

Directors who are not employees of the Company received cash compensation of $5,000 for attendance at each quarterly meeting of the Board of Directors in 2008. Through July 2008, as new non-employee directors commence serving on the Board of Directors, they are first awarded an initial grant (Initial Grant) of 10,000 stock options at an exercise price equal to the fair market value per share of the Common Stock on the date of the Board meeting at which the Initial Grant was awarded or the equivalent in restricted stock units subject to the terms of the Rudolph Technologies, Inc. 1999 Stock Plan (1999 Plan). Further, annually, each non-employee director who continued to serve as a non-employee director through the anniversary date of the Initial Grant was automatically granted an option to purchase 5,000 shares of Common Stock at an exercise price equal to the fair market value per share of the Common Stock on the date of the Board meeting following such anniversary or was awarded the equivalent in restricted stock units subject to the terms of the 1999 Plan. Since 2005, the above mentioned share-based compensation grants have been restricted stock units instead of stock option awards. Effective as of July 2008, the equity component of a non-employee director s compensation was revised to reflect an Annual Grant of RSU s to be awarded annually as of the third quarter Board of Directors Meeting, the date of which varies year-to-year, in an amount of shares calculated by dividing $50,000 by the Company Common Stock closing stock price on the date of such Annual Grant, rounded to the nearest 100 shares. In addition, Initial Grants issued to a new non-employee director as of the first Board of Directors Meeting after the election of such non-employee directors (First Meeting) shall be calculated in accordance with the Annual Grant formula set forth above and prorated by the number of quarters between such First Meeting and the date on which the next Annual Grant is scheduled to be awarded. Any Initial Grants and/or Annual Grants so awarded shall be issued at the closing price of the Company Common Stock as of the date of the respective grants.

For the year ended December 31, 2008, the directors, excluding the director who is a named executive officer, of the Company (ten individuals) received the following total compensation:

Name	Fees Earned or Paid in Cash	Stock Awards(1)	Option Awards(2)	All Other Compensation	Total
Leo Berlinghieri(3)	$ 10,000	$ 12,607	$	$	$ 22,607
Daniel H. Berry	$ 22,500	$ 35,552	$	$ 4,497	$ 62,549
Paul Craig(4)	$ 15,000	$ 73,006	$	$	$ 88,006
Thomas G. Greig	$ 20,000	$ 35,552	$	$	$ 55,552
Jeff L. O Dell(5)	$ 15,000	$ 73,006	$	$	$ 88,006
Carl E. Ring, Jr.	$	$ 22,945	$	$	$ 22,945
Richard F. Spanier(6)	$ 20,000	$ 35,552	$	$ 10,000	$ 65,552
Aubrey C. Tobey	$ 22,500	$ 35,552	$	$ 6,000	$ 64,052
John R. Whitten	$ 30,000	$ 73,021	$	$	$ 103,021
Michael W. Wright(7)	$	$ 39,207	$	$	$ 39,207

(1) The amounts in this column reflect the dollar amounts recognized for financial statement reporting purposes for the fiscal year ended December 31, 2008, in accordance with Statement of Financial Accounting Standards

No. 123(R), *Share-based Payments* (SFAS No. 123R). For more information regarding the Company s assumptions made in the valuation of restricted stock units, see Note 11 to the financial statements included in the Company s Form 10-K for the year ended December 31, 2008. For stock awards granted to non-employee directors in 2008, the total grant date fair value of these awards was as follows: Mr. Berlinghieri ($50,061), Mr. Berry ($50,061), Mr. Craig ($50,061), Mr. Greig ($50,061), Mr. O Dell

($50,061), Mr. Ring ($0), Mr. Spanier ($50,061), Mr. Tobey ($50,061), Mr. Whitten ($50,061) and Mr. Wright ($0).

(2) As of December 31, 2008 directors had the following stock options outstanding and exercisable: Mr. Berlinghieri (0 shares), Mr. Berry (16,783 shares), Mr. Craig (15,000 shares), Mr. Greig (15,000 shares), Mr. O Dell (1,525 shares), Mr. Ring (0 shares), Mr. Spanier (15,000 shares), Mr. Tobey (15,000 shares), Mr. Whitten (0 shares) and Mr. Wright (15,353 shares). As these directors were fully vested in their options prior to 2008, no expense is shown in this column.

(3) Mr. Berlinghieri was appointed to the Board of Directors in September 2008.

(4) Mr. Craig resigned from the Board of Directors in September 2008.

(5) Mr. O Dell resigned from the Board of Directors in October 2008.

(6) Mr. Spanier is paid $10,000 per year under a 10 year deferred compensation plan, related to his sale of the Company in 1996, that commenced in January 1999.

(7) Mr. Wright resigned from the Board of Directors in May 2008.

Vote Required

Each Class I Director shall be elected by the vote of the majority of the votes cast. This means that the number of shares cast for a director s election exceeds the number of votes cast against that director s election (with abstentions and broker non-votes not counted as a vote cast either for or against that director s election, although abstentions cou for quorum purposes).

The Company s Board of Directors unanimously recommends voting FOR the nominees set forth herein.

PROPOSAL 2

APPROVAL OF RUDOLPH TECHNOLOGIES, INC. 2009 STOCK PLAN

The Board of Directors is requesting that our stockholders approve a new stock plan, the 2009 Stock Plan (the 2009 Plan). The Board has adopted the 2009 Plan, subject to stockholder approval at the Annual Meeting. If approved by our stockholders, the 2009 Plan will become effective as of November 1, 2009 and will expire 10 years from such date, unless terminated earlier. The 2009 Plan is intended to replace the Rudolph Technologies, Inc. 1999 Stock Plan (the 1999 Plan), which expires on or about November 6, 2009; provided, however, if the stockholders approve this Proposal Two, the 1999 Plan will expire on October 31, 2009.

The 2009 Plan is structured to allow the Board to create equity incentives in order to assist the Company in attracting, retaining and motivating the best available personnel for the successful conduct of the Company s business. The Company believes that linking compensation to corporate performance motivates employees and consultants to improve stockholder value. The Company has, therefore, consistently included equity incentives as a significant component of compensation for its employees and consultants. With the high demand for highly skilled employees and consultants, especially in the technology industries, management believes it is critical to the Company s success to maintain competitive compensation programs. The Board believes that the approval of the 2009 Plan would be in the best interests of the Company and its stockholders.

Summary of Material Changes Made in the 2009 Stock Plan from the 1999 Plan

Below is a summary of some of the material differences between the 2009 Plan and the 1999 Plan. This summary is qualified in its entirety by reference to the 2009 Plan itself set forth in Appendix A.

The Company recognizes that evergreen provisions have the potential for built-in dilution to stockholder value. Therefore to address potential stockholder concerns, the evergreen provision which provided for an automatic annual increase in the number of shares available under the 1999 Plan is being eliminated under the 2009 Plan. Instead, the 2009 Plan limits the number of shares authorized for grant under the 2009 Plan to 3,300,000 shares, subject to adjustment in connection with certain equity restructuring events. Upon the effective date of the 2009 Plan, no additional grants will be made under the 1999 Plan.

The 1999 Plan allows for the grant of stock options and stock purchase rights (e.g., restricted stock and restricted stock units). The 2009 Plan permits, in addition to awards of stock options, restricted stock and restricted stock units, the award of stock appreciation rights (SARs), performance units and performance shares as determined by the 2009 Plan Administrator.

In the 2009 Plan, the power of the administrator to accelerate vesting or waive forfeiture restrictions for awards has been limited to circumstances involving the death, disability or retirement of the employee, director or consultant or in the event of a Change in Control of the Company.

The exercise price for an option or SAR granted under the 2009 Plan may not be reduced nor may an Exchange Program be implemented without the prior consent of the Company s stockholders.

The 1999 Plan will be terminated as of the date the effective date of the 2009 Plan, meaning that while all options and awards then outstanding under the 1999 Plan will remain in effect, no additional option grants or awards may thereafter be issued under the 1999 Plan. As of December 31, 2008, 1,561,555 shares remained available for grant under the 1999 Plan.

Required Vote

The approval of the adoption of the 2009 Plan requires the affirmative vote of a majority of the votes cast on the proposal at the Annual Meeting.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE ADOPTION OF THE RUDOLPH TECHNOLOGIES, INC. 2009 STOCK PLAN AND THE NUMBER OF SHARES RESERVEDFOR ISSUANCE THEREUNDER.

Summary of the 2009 Stock Plan

The following is a summary of the principal features of the 2009 Plan and its operation. This summary is qualified in its entirety by reference to the 2009 Plan itself set forth in Appendix A.

General. The 2009 Plan provides for the grant of equity awards to employees, directors and consultants. Options granted under the 2009 Plan may either be incentive stock options as defined in Code Section 422 or nonstatutory stock options, as determined by the Board.

Purpose. The general purposes of the 2009 Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to the employees, directors and consultants of the Company and to promote the success of the Company s business.

Administration. The 2009 Plan will be administered by the Board or a committee (Committee) designated by the Board (in either case, the Administrator).

Eligibility. The 2009 Plan provides that nonstatutory stock options, SARs, restricted stock, restricted stock units, performance units and performance shares may be granted to employees, directors and consultants of the Company and any parent or subsidiary. Incentive stock options may be granted only to employees. The Administrator will

determine which eligible persons will be granted awards.

Shares Available under the 2009 Plan. The maximum aggregate number of shares that may be awarded and sold under the 2009 Plan is 3,300,000 shares plus any shares subject to any outstanding options or similar awards granted under the 1999 Plan that subsequently expire or otherwise terminate without having been exercised in full and shares issued pursuant to awards granted under the 1999 Plan that are forfeited to or repurchased by the Company. The shares may be authorized, but unissued, or reacquired common stock. No awards have been granted under the 2009 Plan.

If an award expires without being exercised in full, or, with respect to restricted stock or restricted stock units, is forfeited to or repurchased by the Company due to its failure to vest, the unpurchased or unissued

shares (or forfeited or repurchased shares) which were subject to such awards will become available for future grant under the 2009 Plan (unless the 2009 Plan has terminated).

Upon exercise of a SAR settled in shares, the net number of shares issued pursuant to the award will cease to be available under the 2009 Plan. Shares actually issued under the 2009 Plan will not be returned to the 2009 Plan, except that if unvested shares subject to restricted stock, restricted stock units, performance shares or performance units are repurchased by the Company or forfeited to the Company due to their failure to vest, such shares will become available for future grant under the 2009 Plan. Shares used to pay the exercise price of an award or to satisfy the tax withholding obligations related to an award will become available for future grant or sale under the 2009 Plan. To the extent that an award under the 2009 Plan is paid out in cash, rather than shares, such cash payment will not result in reduction of the shares available for issuance under the 2009 Plan.

Prohibition on Repricing of Options or SARs. The exercise price for an option or SAR granted under the 2009 Plan may not be reduced nor may an Exchange Program be implemented without the prior consent of the Company s stockholders.

Option Exercise Price. The exercise price of options granted under the 2009 Plan is determined by the Administrator and must not be less than 100% of the fair market value of the Company s common stock (Common Stock) at the time of grant. Options granted under the 2009 Plan expire as determined by the Administrator, but in no event later than 10 years from date of grant. No option may be exercised by any person after its expiration. Incentive stock options granted to stockholders owning more than 10% of the voting stock of the Company must have an exercise price per share no less than 110% of the fair market value at the time of grant and the term of such option may be no more than five years from the date of grant. The fair market value of the Common Stock is generally determined with reference to the closing sale price for the Common Stock (or the closing bid if no sales were reported) on the day of determination.

Exercise of Options. Options become exercisable at such times as are determined by the Administrator and are set forth in the individual award agreements. An option is exercised by giving notice to the Company in the form determined by the Administrator, specifying the number of full shares of Common Stock to be purchased and tendering payment of the purchase price. The method of payment of the exercise price for the shares purchased upon exercise of an option will be determined by the Administrator. The 2009 Plan permits payment to be made by cash, check, other shares of Common Stock, cashless exercise, promissory note (to the extent permitted by applicable law) or any other form of consideration permitted by applicable law, or any combination thereof.

Grant of Restricted Stock. Restricted stock awards may be granted to employees, directors or consultants of the Company at any time and from time to time as will be determined by the Administrator, in its sole discretion. Subject to the terms of the Plan, the Administrator will have complete discretion to determine (i) the number of shares subject to a restricted stock award granted to any participant, and (ii) any conditions that must be satisfied. Restricted stock awards shall have a minimum vesting period of three years from the date of the grant for any time-based vesting award and a minimum of one year from the date of the grant for any performance-based award, provided that a maximum of 10% of the Plan shares shall not be subject to such minimum vesting requirements and shall be determined by the Administrator, in its sole discretion.

Restricted Stock Agreement. Each restricted stock grant will be evidenced by an award agreement that will specify the number of shares granted and such other terms and conditions as the Administrator, in its sole discretion, will determine.

Grant of Restricted Stock Units. Restricted stock units may be granted to employees, directors or consultants of the Company at any time and from time to time as determined by the Administrator. Restricted stock units result in a

payment to a participant only if the vesting criteria the Administrator establishes are satisfied. The Administrator may set vesting criteria based on the achievement of Company-wide, business unit, or individual goals (including continued employment), or any other basis determined by the Administrator in its discretion. The restricted stock units will vest at a rate determined by the Administrator; provided,

however, restricted stock unit awards shall have a minimum vesting period of three years from the date of the grant for any time-based vesting award and a minimum of one year from the date of the grant for any performance-based award, provided that a maximum of 10% of the Plan shares shall not be subject to such minimum vesting requirements and shall be determined by the Administrator, in its sole discretion. Upon satisfying the applicable vesting criteria, the participant will be entitled to the payout specified in the award agreement. The Administrator, in its sole discretion, may pay earned restricted stock units in cash, shares, or a combination thereof. On the date set forth in the award agreement, all unearned restricted stock units will be forfeited to the Company.

Restricted Stock Unit Agreement. Each restricted stock unit grant will be evidenced by an award agreement that will specify such terms and conditions as the Administrator, in its sole discretion, will determine.

Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to employees, directors or consultants of the Company at any time and from time to time as will be determined by the Administrator, in its sole discretion.

Exercise Price and Other Terms of Stock Appreciation Rights. The Administrator, subject to the provisions of the 2009 Plan, will have complete discretion to determine the terms and conditions of SARs granted under the 2009 Plan; provided that no SAR may have a term of more than 10 years from the date of grant and that the exercise price of a SAR may not have an exercise price below 100% of the fair market value of the Common Stock on the grant date. No SAR can be exercised by any person after its expiration.

Payment of Stock Appreciation Right Amount. Upon exercise of a SAR, the holder of the SAR will be entitled to receive payment from us in an amount determined by multiplying (i) the difference between the fair market value of a share on the date of exercise over the exercise price; times (ii) the number of shares with respect to which the SAR is exercised.

Payment upon Exercise of Stock Appreciation Right. At the discretion of the Administrator and as set forth in the applicable award agreement, payment to the holder of a SAR may be in cash, shares of Common Stock or a combination thereof.

188.1

714.5

328.0

896.1

424.9

1,756.4

795.7

Gross profit
237.8

155.1

480.3

293.9

Selling and administrative expense
236.8

127.3

483.8

252.9

Research, development and engineering expense
38.8

17.6

80.2

36.1

Impairment of assets
—

—

3.1

—

(Gain) loss on sale of assets, net
(7.7
)

(0.1
)

(8.1
)

0.3

267.9

144.8

559.0

289.3

Operating profit (loss)
(30.1
)

10.3

(78.7
)

4.6

Other income (expense)

Interest income
5.1

6.3

11.5

11.2

Interest expense
(32.2
)

(24.3
)

(63.0
)

(35.8
)
Foreign exchange gain (loss), net
(4.6
)

(1.2
)

(7.7
)

(3.6
)
Miscellaneous, net
1.9

(26.8
)

3.2

7.8

Income (loss) from continuing operations before taxes
(59.9
)

(35.7
)

(134.7
)

(15.8
)
Income tax (benefit) expense
(36.3
)

(14.9
)

(58.9
)

(15.7
)
Income (loss) from continuing operations, net of tax
(23.6
)

(20.8
)

(75.8
)

(0.1
)
Income from discontinued operations, net of tax
—

0.5

—

148.3

Net income (loss)
(23.6
)

(20.3
)

(75.8
)

148.2

Net income attributable to noncontrolling interests

7.0

0.8

13.6

1.1

Net income (loss) attributable to Diebold Nixdorf, Incorporated
$
(30.6
)

$
(21.1
)

$
(89.4
)

$
147.1

Basic weighted-average shares outstanding
75.5

65.2

75.4

65.1

Diluted weighted-average shares outstanding
75.5

65.2

75.4

65.7

Basic earnings (loss) per share

Income (loss) from continuing operations, net of tax
$
(0.41
)

$
(0.33
)

$
(1.19
)

$
(0.02
)
Income from discontinued operations, net of tax
—

0.01

—

2.28

Net income (loss) attributable to Diebold Nixdorf, Incorporated
$
(0.41
)

$
(0.32
)

$
(1.19
)

$
2.26

Diluted earnings (loss) per share

Income (loss) from continuing operations, net of tax
$
(0.41
)

$
(0.33
)

$
(1.19
)

$
(0.02
)
Income from discontinued operations, net of tax
—

0.01

—

2.26

Net income (loss) attributable to Diebold Nixdorf, Incorporated
$
(0.41
)

$
(0.32
)

$
(1.19
)

$
2.24

Amounts attributable to Diebold Nixdorf, Incorporated

Income (loss) before discontinued operations, net of tax
$
(30.6
)

$
(21.6
)

$
(89.4
)

$
(1.2
)
Income from discontinued operations, net of tax
—

0.5

—

148.3

Net income (loss) attributable to Diebold Nixdorf, Incorporated
$
(30.6
)

$
(21.1
)

$
(89.4
)

$
147.1

Common dividends declared and paid per share
$
0.1000

$
0.2875

$
0.2000

$
0.5750

See accompanying notes to condensed consolidated financial statements.

4

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Loss)
(unaudited)
(in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	$(23.6)	$(20.3)	$(75.8)	$148.2
Other comprehensive income (loss), net of tax				
Translation adjustment	79.9	21.0	129.2	53.8
Foreign currency hedges (net of tax of $(2.5), $2.1, $(1.3) and $4.0, respectively)	5.6	(3.9)	3.4	(7.5)
Interest rate hedges				
Net gain recognized in other comprehensive income (net of tax of $0.4 and $(0.4), respectively)	(0.5)	—	1.5	—
Reclassification adjustment for amounts recognized in net income	(0.1)	—	(0.4)	(0.1)
	(0.6)	—	1.1	(0.1)
Pension and other post-retirement benefits				
Net actuarial loss amortization (net of tax of $(0.5), $(0.5), $1.0 and $(1.0), respectively)	0.9	1.0	(3.0)	1.9
Other comprehensive income (loss), net of tax	85.8	18.1	130.7	48.1
Comprehensive income (loss)	62.2	(2.2)	54.9	196.3
Less: comprehensive income (loss) attributable to noncontrolling interests	8.7	0.2	15.3	0.6
Comprehensive income (loss) attributable to Diebold Nixdorf, Incorporated	$53.5	$(2.4)	$39.6	$195.7

See accompanying notes to condensed consolidated financial statements.

5

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(unaudited)
(in millions)

	Six Months Ended June 30,	
	2017	2016
Cash flow from operating activities		
Net income (loss)	$(75.8)	$148.2
Income from discontinued operations, net of tax	—	148.3
Income (loss) from continuing operations, net of tax	(75.8)	(0.1)
Adjustments to reconcile net income (loss) to cash flow used by operating activities:		
Depreciation and amortization	116.6	30.9
Share-based compensation	15.0	10.1
(Gain) loss on sale of assets, net	(8.1)	0.3
Impairment of assets	3.1	—
Deferred financing costs write-off	2.7	—
Gain on foreign currency option and forward contracts, net	—	(12.9)
Changes in certain assets and liabilities, net of the effects of acquisition		
Trade receivables	(85.6)	(94.4)
Inventories	(32.0)	(46.4)
Income taxes	(46.1)	(16.7)
Accounts payable	36.4	(26.6)
Deferred revenue	15.9	(13.0)
Deferred income taxes	(63.4)	6.0
Restructuring payments	(37.7)	(4.8)
Certain other assets and liabilities	(26.8)	(32.2)
Net cash used by operating activities - continuing operations	(185.8)	(199.8)
Net cash used by operating activities - discontinued operations	—	(6.2)
Net cash used by operating activities	(185.8)	(206.0)
Cash flow from investing activities		
Payment for acquisition	(2.4)	—
Proceeds from maturities of investments	145.0	107.1
Proceeds from sale of foreign currency option contracts, net	—	42.6
Payments for purchases of investments	(173.7)	(85.9)
Proceeds from sale of assets	11.4	0.4
Capital expenditures	(26.4)	(11.3)
Restricted cash, net	—	(1,768.1)
Increase in certain other assets	(17.6)	(9.3)
Net cash used by investing activities - continuing operations	(63.7)	(1,724.5)
Net cash provided by investing activities - discontinued operations	—	365.1
Net cash used by investing activities	(63.7)	(1,359.4)
Cash flow from financing activities		
Dividends paid	(15.3)	(38.0)
Debt issuance costs	(1.1)	(11.2)
Restricted cash, net	—	(54.9)
Revolving credit facility borrowings (repayments), net	119.1	142.0
Other debt borrowings	370.3	1,807.0

Other debt repayments	(416.5)	(256.2)
Distributions and payments to noncontrolling interest holders	(16.3)	(2.0)
Issuance of common shares	0.3	—
Repurchase of common shares	(4.5)	(2.0)
Net cash provided by financing activities	36.0	1,584.7
Effect of exchange rate changes on cash and cash equivalents	12.1	4.1
(Decrease) increase in cash and cash equivalents	(201.4)	23.4
Add: Cash overdraft included in assets held for sale at beginning of period	—	(1.5)
Cash and cash equivalents at the beginning of the period	652.7	313.6
Cash and cash equivalents at the end of the period	$451.3	$335.5

See accompanying notes to condensed consolidated financial statements.

6

Table of Contents
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
FORM 10-Q as of June 30, 2017
Notes to Condensed Consolidated Financial Statements
(unaudited)
(in millions, except per share amounts)

Note 1: Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements of Diebold Nixdorf, Incorporated and its subsidiaries (collectively, the Company) have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States (U.S. GAAP); however, such information reflects all adjustments (consisting solely of normal recurring adjustments) that are, in the opinion of management, necessary for a fair statement of the results for the interim periods.

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in the Company's annual report on Form 10-K for the year ended December 31, 2016. In addition, some of the Company's statements in this quarterly report on Form 10-Q may involve risks and uncertainties that could significantly impact expected future results. The results of operations for the three and six months ended June 30, 2017 are not necessarily indicative of results to be expected for the full year.

In August 2016, the Company acquired Diebold Nixdorf AG, formerly known as Wincor Nixdorf Aktiengesellschaft (the Acquisition). In connection with the business combination agreement related to the Acquisition, the Company announced the realignment of its lines of business to drive greater efficiency and further improve customer service. During the first quarter of 2017, the Company reorganized the management team reporting to the Chief Operating Decision Maker (CODM) and evaluated and assessed the line of business (LOB) reporting structure. The Company's reportable operating segments are based on the following three LOBs: Services, Software and Systems. As a result, the Company reclassified comparative periods for consistency.

The Company has reclassified the presentation of certain prior-year information to conform to the current presentation. The Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, at the beginning of 2017 and accordingly retrospectively reclassified $0.2 of excess tax benefits from share-based compensation from financing activities to operating activities included in the condensed consolidated statements of cash flows for the six months ended June 30, 2016.

Recently Issued Accounting Guidance

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (ASU 2016-08). The FASB issued the amendment to clarify the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing (ASU 2016-10). The FASB issued the amendment to clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. In May 2016, the FASB issued ASU 2016-11, Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting (ASU 2016-11). The

FASB issued the amendment to rescind the following aspects of Topic 606. Specifically, registrants should not rely on the following SEC Staff Observer comments upon adoption of Topic 606: Revenue and Expense Recognition for Freight Services in Process, which is codified in paragraph 605-20-S99-2; Accounting for Shipping and Handling Fees and Costs, which is codified in paragraph 605-45-S99-1; Accounting for Consideration Given by a Vendor to a Customer (including Reseller of the Vendor's Products), which is codified in paragraph 605-50-S99-1; Accounting for Gas-Balancing Arrangements (that is, use of the "entitlements method"), which is codified in paragraph 932-10-S99-5. Additionally, in May 2016, the FASB issued ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing: Narrow-Scope Improvements and Practical Expedients (ASU 2016-12). The FASB issued the amendment to improve Topic 606 by reducing the potential for diversity in practice at initial application and reducing the cost and complexity of applying Topic 606 both at transition and on an ongoing basis.

The standard, along with its amendments, are effective for the Company on January 1, 2018. Early application was permitted on the original adoption date of January 1, 2017. The standard permits the use of either the retrospective or modified retrospective (cumulative effect) transition method and we have not yet selected which transition method we will apply.

In 2015, we established a cross-functional steering committee and project implementation team to assess the impact of the standard on the Company's legacy revenue from contracts with customers. We utilized a bottoms-up approach to assess and document the impact of the standard on the Company's contract portfolio by reviewing its current accounting policies and practices against application of the requirements of the new standard to identify potential differences. A broad-scope contract analysis was carried out to substantiate the results of the assessment and a business process, systems and controls review was performed to identify necessary changes to support recognition and disclosure under the new standard.

The implementation team reported the findings and progress of the project to management and the Audit Committee of the Company's board of directors on a frequent basis over the last year. In late 2016, the impact assessment was expanded to include Diebold Nixdorf AG revenue from contracts with customers. The Company's initial assessment indicates potential for earlier timing of revenue recognition related to product shipments. The Company will continue its evaluation and assessment on the impact on the financial statements and related disclosures.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01). This amendment requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The amendment simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. It eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. The amendment requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. Additionally, the update requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments and requires an entity to separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. The standard is effective for the Company on December 15, 2017, with early adoption permitted. The adoption of ASU 2016-01 is not expected to have a material impact on the financial statements of the Company.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (ASU 2016-02). The FASB issued the update to require the recognition of lease assets and liabilities on the balance sheet of lessees. ASU 2016-02 will be effective for the Company on January 1, 2019, including interim periods. ASU 2016-02 requires a modified retrospective transition method with the option to elect a package of practical expedients. Early adoption is permitted. The Company is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (ASU 2017-04). The FASB issued the update to simplify the measurement of goodwill by eliminating step 2 from the goodwill impairment test. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. ASU 2017-04 will be effective for public companies for fiscal years beginning after December 15, 2019, including interim periods. Early adoption is permitted. The Company is evaluating the effect that ASU 2017-04 will have on its financial statements and related disclosures.

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting (ASU 2017-09). The FASB issued the update to provide clarity and reduce the cost and complexity when applying the guidance in Topic 718. The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 will be effective for public companies for fiscal years beginning after December 15, 2017, including interim periods. Early adoption is permitted. The Company is evaluating the effect that ASU 2017-09 will have on its financial statements and related disclosures.

In May 2017, the FASB issued ASU 2017-10, Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Services (ASU 2017-10). The FASB issued the update to eliminate uncertainty regarding how an operating entity determines the customer of the operation services for transactions within the scope of Topic 853. The amendments in this update clarify that the grantor is the customer of the operation services in all cases for service concession arrangements within the scope of Topic 853. ASU 2017-10 will be effective for public companies for fiscal years beginning after December 15, 2017, including

interim periods. Early adoption is permitted. The Company is evaluating the effect that ASU 2017-10 will have on its financial statements and related disclosures.

Note 2: Acquisitions

During the second quarter of 2017, the Company acquired certain assets and liabilities of a design company, Visio Objekt GmbH (Visio), for $2.4. Visio is located in Germany and included in the Services LOB using the purchase method of accounting.

On August 15, 2016, the Company acquired, through Diebold Holding Germany Inc. & Co. KGaA (Diebold KGaA), a German partnership limited by shares and a wholly owned subsidiary of the Company, 22.9 Diebold Nixdorf AG ordinary shares representing 69.2 percent of total number of Diebold Nixdorf AG ordinary shares inclusive of treasury shares (76.7 percent of all Diebold Nixdorf AG ordinary shares outstanding) in exchange for an aggregate preliminary purchase price consideration of $1,265.7, which included the issuance of 9.9 common shares of the Company. The Company financed the cash portion of the Acquisition as well as the repayment of Diebold Nixdorf AG debt outstanding with funds available under the Company's Credit Agreement (as defined in note 13) and proceeds from the issuance and sale of the $400.0 aggregate principal amount of 8.50 percent senior notes due 2024 (2024 Senior Notes).

The information included herein has been prepared based on the preliminary allocation of the purchase price using estimates of the fair value and useful lives of assets acquired and liabilities assumed which were determined with the assistance of independent valuations using discounted cash flow and comparative market multiple approaches, quoted market prices and estimates made by management. The purchase price allocation is subject to further adjustment until all pertinent information regarding the assets and liabilities acquired are fully evaluated by the Company, including but not limited to, the fair value accounting, legal and tax matters, obligations, deferred taxes and the allocation of goodwill.

The aggregate preliminary consideration, excluding $110.7 of cash acquired, for the Acquisition was $1,265.7, which consisted of the following:

Cash paid	$995.3
Less: cash acquired	(110.7)
Payments for acquisition, net of cash acquired	884.6
Common shares issued to Diebold Nixdorf AG shareholders	279.7
Other consideration	(9.3)
Total preliminary consideration, net of cash acquired	$1,155.0

Other consideration of $(9.3) represents the pre-existing net trade balances the Company owed to Diebold Nixdorf AG, which were deemed settled as of the acquisition date.

The following table presents the preliminary estimated fair value of the assets acquired and liabilities assumed from the Acquisition as of the date of acquisition based on the allocation of the total preliminary consideration, net of cash acquired:

	Preliminary amounts recognized as of:		
	December 31, 2016	Measurement Period	June 30, 2017
Trade receivables	$474.1	$ —	$474.1
Inventories	487.2	(8.7)	478.5
Prepaid expenses	39.3	—	39.3
Current assets held for sale	106.6	—	106.6
Other current assets	79.9	—	79.9
Property, plant and equipment	247.1	—	247.1
Intangible assets	802.1	6.7	808.8
Deferred income taxes	109.7	2.1	111.8
Other assets	27.0	—	27.0
Total assets acquired	2,373.0	0.1	2,373.1
Notes payable	159.8	—	159.8
Accounts payable	321.5	—	321.5
Deferred revenue	158.0	(6.2)	151.8
Payroll and other benefits liabilities	191.6	—	191.6
Current liabilities held for sale	56.6	—	56.6
Other current liabilities	196.3	5.9	202.2
Pensions and other benefits	103.2	—	103.2
Other noncurrent liabilities	458.9	6.6	465.5
Total liabilities assumed	1,645.9	6.3	1,652.2
Redeemable noncontrolling interest	(46.8)	—	(46.8)
Fair value of noncontrolling interest	(407.9)	—	(407.9)
Total identifiable net assets acquired, including noncontrolling interest	272.4	(6.2)	266.2
Total preliminary consideration, net of cash acquired	1,155.0	—	1,155.0
Goodwill	$882.6	$ 6.2	$888.8

During the second quarter of 2017, the Company updated the preliminary measurement of inventory by $8.7 due to a change in the valuation of certain items. The preliminary measurement period adjusts related to customer relationships included in intangible assets, deferred income taxes, and deferred revenue of $6.7, $2.1 and $6.2, respectively, related to a change in the underlying valuation assumptions. Other current and noncurrent liabilities measurement period adjustments of $5.9 and $6.6, respectively, related to certain onerous contracts, a certain settlement accrual and deferred income taxes. The impact of these updates resulted in an increase in net sales of $0.4 related to the adjustment in deferred revenue, a decrease in cost of sales of $0.9 related to adjustments of inventory, an increase in selling and administrative expense of $0.6 related to amortization of the adjusted customer relationships. The

aggregate impact of the adjustments previously mentioned resulted in a minimal decrease in the income tax benefit.

Included in the preliminary purchase price allocation are acquired identifiable intangibles of $808.8, the fair value of which was primarily determined by applying the income approach, using several significant unobservable inputs for projected cash flows and a discount rate. These inputs are considered Level 3 inputs under the fair value measurements and disclosure guidance.

The Company preliminarily recorded acquired intangible assets in the following table as of the acquisition date:

	Classification on condensed consolidated statements of operations	Weighted-average useful lives	August 15, 2016
Trade name	Selling and administrative expense	3.0 years	$30.1
Technologies	Cost of sales	4.0 years	107.2
Customer relationships	Selling and administrative expense	9.5 years	665.2
Other	various	various	6.3
Intangible assets			$808.8

Noncontrolling interest reflects a fair value adjustment of $407.9 consisting of $386.7 related to the Diebold Nixdorf AG ordinary shares the Company did not acquire and $21.2 for the pre-existing noncontrolling interests. Noncontrolling interests with certain redemption features, such as put rights that are not within the control of the issuer and are considered redeemable noncontrolling interests.

Goodwill is calculated as the excess of the purchase price over the estimated fair values of the assets acquired and the liabilities assumed from the Acquisition, and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. The Company has preliminarily allocated goodwill to its Services, Software and Systems reportable operating segments (refer to note 12).

Net sales, loss from continuing operations before taxes and loss attributable to Diebold Nixdorf, Incorporated from the Acquisition included in the Company’s results for the quarter ended June 30, 2017, are as follows:

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Net sales	$635.8	$1,259.4
Loss from continuing operations before taxes	$(6.5)	$(38.4)
Loss attributable to Diebold Nixdorf, Incorporated	$(14.7)	$(39.1)

The Acquisition's loss from continuing operations before taxes subsequent to the acquisition date includes purchase accounting pretax charges for the three and six months ended June 30, 2017 related to deferred revenue of $10.3 and $20.7 and amortization of acquired intangibles of $33.4 and $65.2, offset by a reduction of $1.6 and $3.2 depreciation expense related to the change in useful lives, respectively. The measurement period adjustment include an inventory

valuation adjustment of $0.9 for the three and six months ended June 30. 2017.

The Company incurred deal-related costs in connection with the Acquisition, of $14.9, which are included in selling, general and administrative expenses in the Company's condensed consolidated statements of operations in the first quarter of 2016. No Acquisition-related deal costs have been incurred in 2017.

Unaudited pro forma Information The unaudited pro forma information is presented for illustrative purposes only. It is not necessarily indicative of the results of operations of future periods, or the results of operations that actually would have been realized had the entities been a single company during the periods presented or the results that the combined company will experience after the Acquisition. The unaudited pro forma information does not give effect to the potential impact of current financial conditions, regulatory matters or any anticipated synergies, operating efficiencies or cost savings that may be associated with the Acquisition. The unaudited pro forma information also does not include any integration costs or remaining future transaction costs that the companies may incur related to the Acquisition as part of combining the operations of the companies. The Company's fiscal year ends on December 31 while Diebold Nixdorf AG's fiscal year ends on September 30.

The pro forma information in the table below for the three and six months ended June 30, 2016 includes unaudited pro forma information that represents the consolidated results of the Company as if the Acquisition occurred as of January 1, 2015:

	Unaudited pro forma information	
	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Net sales	$1,290.8	$2,457.9
Gross profit	$322.5	$619.1
Operating profit	$42.8	$80.0
Net income (loss) attributable to Diebold Nixdorf, Incorporated [1]	$(14.1)	$166.9
Net income (loss) attributable to Diebold Nixdorf, Incorporated per share - basic[1]	$(0.19)	$2.22
Net income (loss) attributable to Diebold Nixdorf, Incorporated per share - diluted[1]	$(0.19)	$2.21
Basic weighted-average shares outstanding	75.1	75.1
Diluted weighted-average shares outstanding	75.1	75.6

[1] Net income (loss) for the the six months ended June 30, 2016 includes income from discontinued operations, net of tax of $148.3.

The unaudited pro forma information has been adjusted with respect to certain aspects of the Acquisition to reflect the following:

- Additional depreciation and amortization expenses that would have been recognized assuming preliminary fair value adjustments to the existing Diebold Nixdorf AG assets acquired and liabilities assumed, including intangible assets, fixed assets and expense associated with the valuation of inventory acquired.
- Increased interest expense due to additional borrowings to fund the Acquisition.

The pro forma results do not include any anticipated cost synergies or other effects of the planned integration of the acquired business. Accordingly, such pro forma amounts are not necessarily indicative of the results that actually would have occurred had the Acquisition been completed as of January 1, 2015, nor are they indicative of the future operating results of the Company.

Note 3: Redeemable Noncontrolling Interests

Changes in redeemable noncontrolling interests were as follows:

	Redeemable Noncontrolling Interests
Balance at December 31, 2016	$ 44.1
Other comprehensive loss	(18.6)

Redemption value adjustment	39.4
Redemption of shares	(2.6)
Reclassification of noncontrolling interest	386.7
Balance at June 30, 2017	$ 449.0

Subsequent to the closing of the Acquisition, the board of directors of the Company and the supervisory and management boards of Diebold Nixdorf AG, as well as the shareholders of Diebold KGaA and Diebold Nixdorf AG, on September 26, 2016 each approved the proposed the Domination and Profit and Loss Transfer Agreement (DPLTA). The DPLTA became effective by entry in the commercial register at the local court of Paderborn (Germany) on February 14, 2017. As a result, the carrying value of the noncontrolling interest related to the Diebold Nixdorf AG ordinary shares the Company did not acquire of $386.7, which was presented as a component of total equity as of December 31, 2016, was reclassified to redeemable noncontrolling interest during the first quarter of 2017. For the period of time that the DPLTA is effective, the noncontrolling interest related to the Diebold Nixdorf AG ordinary shares the Company did not acquire will remain in redeemable noncontrolling interest and presented outside of equity in the condensed consolidated balance sheets of the Company.

Pursuant to the DPLTA, subject to certain limitations pursuant to applicable law, (i) Diebold KGaA has the ability to issue binding instructions to the management board of Diebold Nixdorf AG, (ii) Diebold Nixdorf AG will transfer all of its annual profits to Diebold KGaA, and (iii) Diebold KGaA will generally absorb all annual losses incurred by Diebold Nixdorf AG. In addition, the DPLTA offers the Diebold Nixdorf AG minority shareholders, at their election, (i) the ability to put their Diebold Nixdorf AG ordinary shares to Diebold KGaA in exchange for cash compensation of €55.02 per Diebold Nixdorf AG ordinary share or (ii) to remain Diebold Nixdorf AG minority shareholders and receive a recurring compensation in cash of €3.13 (€2.82 net under the current taxation regime) per Diebold Nixdorf AG ordinary share for each full fiscal year of Diebold Nixdorf AG. The redemption value adjustment includes the updated cash compensation pursuant to the DPLTA. During 2017, the Company paid $2.6 in cash compensation to redeem Diebold Nixdorf AG ordinary shares in connection with the DPLTA. The ultimate timing and amount of any future cash payments related to the DPLTA are uncertain.

In connection with the Acquisition, the Company assumed pre-existing noncontrolling interests with certain redemption features, such as put rights that are not within the control of the issuer, which are considered redeemable noncontrolling interests. The redeemable noncontrolling interests were preliminarily recorded at fair value as of the Acquisition date by applying the income approach using unobservable inputs for projected cash flows and a discount rate, which are considered Level 3 inputs, and subject to change as the measurement period related to the Acquisition has not expired and purchase accounting remains preliminary. The Company adjusts the redeemable noncontrolling interest to redemption value (which approximates fair value) at each balance sheet date with changes recognized as an adjustment to additional paid-in capital. In the event the historical cost of the redeemable noncontrolling interest, which represents initial cost, adjusted for contributions, distributions and the allocation of profits or losses, is in excess of estimated fair value, the Company records the redeemable noncontrolling interest at historical cost. The ultimate amount and timing of any future cash payments related to the put rights are uncertain.

Note 4: Earnings (Loss) Per Share

Basic earnings (loss) per share is based on the weighted-average number of common shares outstanding. Diluted earnings (loss) per share includes the dilutive effect of potential common shares outstanding. Under the two-class method of computing earnings (loss) per share, non-vested share-based payment awards that contain rights to receive non-forfeitable dividends are considered participating securities. The Company’s participating securities include restricted stock units (RSUs), deferred shares, and shares that were vested, but deferred by the employee. The Company calculated basic and diluted earnings (loss) per share under both the treasury stock method and the two-class method. For the six months ended June 30, 2017 and 2016, there was no impact in the per share amounts calculated under the two methods. Accordingly, the treasury stock method is disclosed.

The following represents amounts used in computing earnings (loss) per share and the effect on the weighted-average number of shares of dilutive potential common shares:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Numerator				
Income (loss) used in basic and diluted earnings (loss) per share				
Income (loss) from continuing operations, net of tax	$(23.6)	$(20.8)	$(75.8)	$(0.1)
Net income attributable to noncontrolling interests	7.0	0.8	13.6	1.1
Income (loss) before discontinued operations, net of tax	(30.6)	(21.6)	(89.4)	(1.2)
Income from discontinued operations, net of tax	—	0.5	—	148.3
Net income (loss) attributable to Diebold Nixdorf, Incorporated	$(30.6)	$(21.1)	$(89.4)	$147.1
Denominator				
Weighted-average number of common shares used in basic earnings (loss) per share	75.5	65.2	75.4	65.1
Effect of dilutive shares [1]	—	—	—	0.6
Weighted-average number of shares used in diluted earnings (loss) per share	75.5	65.2	75.4	65.7
Basic earnings (loss) per share				
Income (loss) from continuing operations, net of tax	$(0.41)	$(0.33)	$(1.19)	$(0.02)
Income from discontinued operations, net of tax	—	0.01	—	2.28
Net income (loss) attributable to Diebold Nixdorf, Incorporated	$(0.41)	$(0.32)	$(1.19)	$2.26
Diluted earnings (loss) per share				
Income (loss) from continuing operations, net of tax	$(0.41)	$(0.33)	$(1.19)	$(0.02)
Income from discontinued operations, net of tax	—	0.01	—	2.26
Net income (loss) attributable to Diebold Nixdorf, Incorporated	$(0.41)	$(0.32)	$(1.19)	$2.24
Anti-dilutive shares				
Anti-dilutive shares not used in calculating diluted weighted-average shares	2.9	2.3	2.6	2.2

[1] Incremental shares of 1.0 and 0.5 shares for the three months ended June 30, 2017 and 2016, respectively, and 0.9 shares for the six months ended June 30, 2017, were excluded from the computation of diluted earnings (loss) per share because their effect is anti-dilutive due to the net loss attributable to Diebold Nixdorf, Incorporated.

Note 5: Equity

The following table presents changes in shareholders' equity attributable to Diebold Nixdorf, Incorporated and the noncontrolling
interests:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Diebold Nixdorf, Incorporated shareholders' equity				
Balance at beginning of period	$533.1	$595.6	$591.4	$412.4
Comprehensive income (loss) attributable to Diebold Nixdorf, Incorporated	53.5	(2.4)	39.6	195.7
Common shares	0.1	0.1	0.7	0.4
Additional capital [(1)]	8.1	4.5	(24.7)	9.8
Treasury shares	0.1	(0.3)	(4.5)	(2.0)
Dividends paid	(7.7)	(19.2)	(15.3)	(38.0)
Balance at end of period	$587.2	$578.3	$587.2	$578.3
Noncontrolling interests				
Balance at beginning of period	$34.8	$23.5	$433.4	$23.1
Comprehensive income attributable to noncontrolling interests, net	8.7	0.2	15.3	0.6
Reclassification to redeemable noncontrolling interest	—	—	(386.7)	—
Reclassification of guaranteed dividend to accrued liabilities	(6.0)	—	(11.7)	—
Distributions to noncontrolling interest holders	—	—	(12.8)	—
Balance at end of period	$37.5	$23.7	$37.5	$23.7

(1) The decrease for the six months ended June 30, 2017 is primarily attributable to the redemption value adjustment to the redeemable noncontrolling interest.

Note 6: Accumulated Other Comprehensive Income (Loss) (AOCI)

The following table summarizes the changes in the Company’s AOCI, net of tax, by component for the three months ended June 30, 2017:

	Translation	Foreign Currency Hedges	Interest Rate Hedges	Pension and Other Post-retirement Benefits	Other	Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2017	$ (201.9)	$ (7.9)	$ 6.3	$ (93.2)	$ 0.3	$ (296.4)
Other comprehensive income (loss) before reclassifications [(1)]	78.2	5.6	(0.5)	—	—	83.3
Amounts reclassified from AOCI	—	—	(0.1)	0.9	—	0.8
Net current-period other comprehensive income (loss)	78.2	5.6	(0.6)	0.9	—	84.1
Balance at June 30, 2017	$ (123.7)	$ (2.3)	$ 5.7	$ (92.3)	$ 0.3	$ (212.3)

[1]Other comprehensive income (loss) before reclassifications within the translation component excludes $1.7 of translation attributable to noncontrolling interests.

The following table summarizes the changes in the Company's AOCI, net of tax, by component for the three months ended June 30, 2016:

	Translation	Foreign Currency Hedges	Interest Rate Hedges	Pension and Other Post-retirement Benefits	Other	Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2016	$ (183.0)	$ 1.4	$ (0.2)	$ (106.9)	$ 0.4	$ (288.3)
Other comprehensive income (loss) before reclassifications [(1)]	21.8	(3.9)	—	—	—	17.9
Amounts reclassified from AOCI	—	—	—	1.0	—	1.0
Net current-period other comprehensive income (loss)	21.8	(3.9)	—	1.0	—	18.9
Balance at June 30, 2016	$ (161.2)	$ (2.5)	$ (0.2)	$ (105.9)	$ 0.4	$ (269.4)

(1) Other comprehensive income (loss) before reclassifications within the translation component excludes $(0.8) of translation attributable to noncontrolling interests.

The following table summarizes the changes in the Company's AOCI, net of tax, by component for the six months ended June 30, 2017:

	Translation	Foreign Currency Hedges	Interest Rate Hedges	Pension and Other Post-retirement Benefits	Other	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2017	$ (251.2)	$ (5.7)	$ 4.6	$ (89.3)	$ 0.3	$ (341.3)
Other comprehensive income (loss) before reclassifications [(1)]	127.5	3.4	1.5	—	—	132.4
Amounts reclassified from AOCI	—	—	(0.4)	(3.0)	—	(3.4)
Net current-period other comprehensive income (loss)	127.5	3.4	1.1	(3.0)	—	129.0
Balance at June 30, 2017	$ (123.7)	$ (2.3)	$ 5.7	$ (92.3)	$ 0.3	$ (212.3)

(1) Other comprehensive income (loss) before reclassifications within the translation component excludes $1.7 of translation attributable to noncontrolling interests.

The following table summarizes the changes in the Company's AOCI, net of tax, by component for the six months ended June 30, 2016:

	Translation	Foreign Currency Hedges	Interest Rate Hedges	Pension and Other Post-retirement Benefits	Other	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2016	$ (215.6)	$ 5.0	$ (0.1)	$ (107.8)	$ 0.4	$ (318.1)
Other comprehensive income (loss) before reclassifications [(1)]	54.4	(7.5)	—	—	—	46.9
Amounts reclassified from AOCI	—	—	(0.1)	1.9	—	1.8
	54.4	(7.5)	(0.1)	1.9	—	48.7

Net current-period other comprehensive income (loss)						
Balance at June 30, 2016	$ (161.2)	$ (2.5)	$ (0.2)	$ (105.9)	$ 0.4	$ (269.4)

(1) Other comprehensive income (loss) before reclassifications within the translation component excludes $(0.6) of translation attributable to noncontrolling interests.

16

Table of Contents
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
FORM 10-Q as of June 30, 2017
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)
(in millions, except per share amounts)

The following table summarizes the details about amounts reclassified from AOCI:

	Three Months Ended		Six Months Ended		Affected Line Item in the Statement of Operations
	2017	2016	2017	2016	
Interest rate hedges	$(0.1)	$—	$(0.4)	$(0.1)	Interest expense
Pension and post-retirement benefits:					
Net actuarial loss amortization (net of tax of $(0.5), $(0.5), $1.0 and $(1.0), respectively)	0.9	1.0	(3.0)	1.9	[1]
Total reclassifications for the period	$0.8	$1.0	$(3.4)	$1.8	

(1) Pension and other post-retirement benefits AOCI components are included in the computation of net periodic benefit cost (refer to note 14).

Note 7: Share-Based Compensation

The Company’s share-based compensation payments to employees are recognized based on their grant-date fair values during the period in which the employee is required to provide services in exchange for the award. Share-based compensation is primarily recognized as a component of selling and administrative expense. Total share-based compensation expense was $8.2 and $4.5 for the three months ended June 30, 2017 and 2016, respectively, and was $15.0 and $10.1 for the six months ended June 30, 2017 and 2016, respectively.

Options outstanding and exercisable as of June 30, 2017 under the Company’s 1991 Equity and Performance Incentive Plan (as Amended and Restated as of February 12, 2014) (the 1991 Plan) and changes during the six months ended June 30, 2017 were as follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value [1]
		(per share)	(in years)	
Outstanding at January 1, 2017	1.7	$ 31.98		
Expired or forfeited	(0.2)	$ 39.41		
Granted	0.8	$ 26.60		
Outstanding at June 30, 2017	2.3	$ 29.70	8	$ 1.4
Options exercisable at June 30, 2017	1.1	$ 32.13	6	$ 0.1
Options vested and expected to vest at June 30, 2017 [2]	2.2	$ 29.80	8	$ 1.3

(1) The aggregate intrinsic value (the difference between the closing price of the Company’s common shares on the last trading day of the second quarter of 2017 and the exercise price, multiplied by the number of “in-the-money” options) that would have been received by the option holders had all option holders exercised their options on June 30, 2017. The amount of aggregate intrinsic value will change based on the fair market value of the Company’s common shares.

(2) The options expected to vest are the result of applying the pre-vesting forfeiture rate assumption to total outstanding non-vested options.

The following table summarizes information on non-vested RSUs and performance shares relating to employees and non-employee directors for the six months ended June 30, 2017:

	Number of Shares	Weighted-Average Grant-Date Fair Value (per share)
RSUs:		
Non-vested at January 1, 2017	1.2	$ 29.50
Forfeited	(0.1)	$ 30.41
Vested	(0.4)	$ 30.44
Granted	0.7	$ 26.92
Non-vested at June 30, 2017	1.4	$ 27.96
Performance Shares:		
Non-vested at January 1, 2017	1.2	$ 31.77
Forfeited	(0.2)	$ 39.36
Vested	(0.2)	$ 23.64
Granted	1.8	$ 31.31
Non-vested at June 30, 2017	2.6	$ 31.34

Performance shares are granted to employees and vest based on the achievement of certain performance objectives, as determined by the board of directors each year. Each performance share earned entitles the holder to one common share of the Company. The Company's performance shares include performance objectives that are assessed after a three-year period as well as performance objectives that are assessed annually over a three-year period. No shares are vested unless certain performance threshold objectives are met.

As of June 30, 2017, there were 0.1 non-employee director deferred shares vested and outstanding.

On April 26, 2017, the Company's shareholders approved the Company's 2017 Equity and Performance Incentive Plan (the 2017 Plan), which provides for approximately 4.9 of common shares available for grant. The 2017 Plan is expected to attract and retain directors, officers and employees of the Company by providing incentives and rewards for performance.

Note 8: Income Taxes

The effective tax rate on loss from continuing operations was 60.6 percent and 41.7 percent for the three months ended June 30, 2017 and June 30, 2016, respectively. The effective tax rate was 43.7 percent and 99.4 percent for the six months ended June 30, 2017 and June 30, 2016, respectively.

The tax rate on the loss for the three and six months ended June 30, 2017 increased due to the jurisdictional income (loss) mix and varying statutory rates in the Company’s global footprint. These increases to the overall tax rate for these periods was offset in part by additional discrete expense items recognized in the quarter related to uncertain tax positions.

The tax rate on the loss for the three and six months ended June 30, 2016 was increased due to the recognition of favorable discrete items, including the release of an uncertain tax position and discrete expenses related to the Acquisition. The tax rate for these periods was also increased by a reduction in the deferred tax liability associated with the Company's undistributed foreign subsidiary earnings. The foreign currency hedges related to the Acquisition generated a loss for the three months ended June 30, 2016 and a net gain for the six months ended June 30, 2016. The non-taxable treatment of these hedges had the impact of decreasing the rate in the three months ended June 30, 2016 and increasing the rate for the six months ended June 30, 2016.

Note 9: Investments

The Company's investments, primarily in Brazil, consist of certificates of deposit that are classified as available-for-sale and stated at fair value based upon quoted market prices. Unrealized gains and losses are recorded in AOCI. Realized gains and losses are recognized in investment income and are determined using the specific identification method. There were no realized gains from the sale of securities and proceeds from the sale of available-for-sale securities for the three and six months ended June 30, 2017 and 2016.

The Company has certain strategic alliances that are not consolidated. The Company tests these strategic alliances annually, individually and in aggregate, to determine materiality. The Company owns 40.0 percent of Inspur (Suzhou) Financial Technology Service Co. Ltd. (Inspur JV) and 43.6 percent of Aisino-Wincor Retail & Banking Systems (Shanghai) Co., Ltd. (Aisino JV). The Company engages in transactions in the ordinary course of business. The Company's strategic alliances were determined to be immaterial to the Company and were accounted for under the equity method of investments. In May 2017, the Company announced a strategic partnership with Kony Inc. (Kony), which is located in Texas, a leading enterprise mobility and application company, to offer white label mobile application solutions for financial institutions and retailers. The Company acquired a minority equity stake in Kony, which is accounted for using the cost method of accounting.

The Company's investments, respectively, consist of the following:

	Cost Basis	Unrealized Gain	Fair Value
As of June 30, 2017			
Short-term investments			
Certificates of deposit	$76.9	$ —	$76.9
Long-term investments			
Assets held in a rabbi trust	$7.8	$ 1.1	$8.9
As of December 31, 2016			
Short-term investments			
Certificates of deposit	$64.1	$ —	$64.1
Long-term investments			
Assets held in a rabbi trust	$7.9	$ 0.6	$8.5

Securities and other investments also includes a cash surrender value of insurance contracts of $78.5 and $77.8 as of June 30, 2017 and December 31, 2016, respectively. In addition, securities and other investments includes an interest rate swap asset carrying value of $6.3 and $8.4 as of June 30, 2017 and December 31, 2016, respectively, which also represents fair value (refer to note 18).

Note 10: Allowance for Credit Losses

The following table summarizes the Company's allowance for credit losses for the six months ended June 30, 2017 and 2016:

	Finance Leases	Notes Receivable	Total
Allowance for credit losses			
Balance at January 1, 2017	$ 0.3	$ 4.1	$4.4
Write-offs	(0.1)	—	(0.1)
Balance at June 30, 2017	$ 0.2	$ 4.1	$4.3
Balance at January 1, 2016	$ 0.5	$ 4.1	$4.6
Write-offs	—	—	—
Balance at June 30, 2016	$ 0.5	$ 4.1	$4.6

There were no significant changes in provision for credit losses, recoveries and write-offs during the six months ended June 30, 2017 and 2016. As of June 30, 2017, finance leases and notes receivable individually evaluated for impairment were $43.2 and $20.8, respectively, of which $22.9 and $13.2, respectively, relates to the Acquisition, with no provision recorded. As of June 30, 2016, finance leases and notes receivable individually evaluated for impairment were $63.5 and $8.7, respectively. As of June 30, 2017 and December 31, 2016, the Company's finance lease receivables in Brazil were $11.0 and $26.1, respectively. The decrease is related primarily to recurring customer payments for financing arrangements.

The Company records interest income and any fees or costs related to financing receivables using the effective interest method over the term of the lease or loan. The Company reviews the aging of its financing receivables to determine past due and delinquent accounts. Credit quality is reviewed at inception and is re-evaluated as needed based on customer-specific circumstances. Receivable balances 60 days to 89 days past due are reviewed and may be placed on nonaccrual status based on customer-specific circumstances. Receivable balances are placed on nonaccrual status upon reaching greater than 89 days past due. Upon receipt of payment on nonaccrual financing receivables, interest income is recognized and accrual of interest is resumed once the account has been made current or the specific circumstances have been resolved.

As of June 30, 2017 and December 31, 2016, the recorded investment in past due financing receivables on nonaccrual status was $0.6 and $0.4, respectively, and there were no recorded investments in finance receivables past due 90 days or more and still accruing interest. The recorded investment in impaired notes receivable was $4.1 and $4.0 as of June 30, 2017 and December 31, 2016, respectively, and was fully reserved.

The following table summarizes the Company's aging of past-due notes receivable balances:

	June 30, 2017	December 31, 2016
30-59 days past due	$ 0.1	$ 0.1
60-89 days past due	—	—

> 89 days past due [(1)]	4.0	3.9
Total past due	$ 4.1	$ 4.0

(1) Past due notes receivable balances greater than 89 days are fully reserved.

Note 11: Inventories

Major classes of inventories are summarized as follows:

	June 30, 2017	December 31, 2016
Finished goods	$339.4	$ 330.5
Service parts	251.6	235.2
Raw materials and work in process	188.3	172.0
Total inventories	$779.3	$ 737.7

19

Note 12: Goodwill and Other Assets

The Company's three reportable operating segments are Services, Software and Systems. The Company has preliminarily allocated goodwill to its Services, Software and Systems reportable operating segments. The changes in carrying amounts of goodwill within the Company's segments are summarized as follows:

	Services	Software	Systems	Total
Goodwill	$452.2	$—	$—	$452.2
Accumulated impairment losses	(290.7)	—	—	(290.7)
Balance at January 1, 2016	$161.5	$—	$—	$161.5
Goodwill acquired	459.1	238.7	184.8	882.6
Goodwill adjustment	(0.5)	—	—	(0.5)
Currency translation adjustment	(20.8)	(13.8)	(10.7)	(45.3)
Goodwill	$890.0	$224.9	$174.1	$1,289.0
Accumulated impairment losses	(290.7)	—	—	(290.7)
Balance at December 31, 2016	$599.3	$224.9	$174.1	$998.3
Goodwill acquired	1.6	—	—	1.6
Goodwill adjustment	4.1	0.9	1.2	6.2
Currency translation adjustment	42.4	19.1	14.8	76.3
Goodwill	$938.1	$244.9	$190.1	$1,373.1
Accumulated impairment losses	(290.7)	—	—	(290.7)
Balance at June 30, 2017	$647.4	$244.9	$190.1	$1,082.4

In August 2016, the Company acquired Diebold Nixdorf AG. During the first quarter of 2017, in connection with the business combination agreement related to the Acquisition, the Company realigned its reportable operating segment to its lines of business to drive greater efficiency and further improve customer service.

The acquired Diebold Nixdorf AG goodwill is primarily the result of anticipated synergies achieved through increased scale, a streamlined portfolio of products and solutions, higher utilization of the service organization, workforce rationalization in overlapping regions and shared back office resources. The Company also expects, after completion of the business combination and related integration, to generate strong free cash flow, which would be used to make investments in innovative software and solutions and reduce debt. The Company has preliminarily allocated goodwill to its Services, Software and Systems reportable operating segments. The goodwill associated with the Acquisition is not deductible for income tax purposes.

In connection with the recasting from geographical regions to lines of business reportable operating segments, the Company has identified nine reporting units, which are summarized below.

Services	Software	Systems
EMEA	EMEA	EMEA
Americas	Americas	Americas
AP	AP	AP

There have been no impairment indicators identified during the six months ended June 30, 2017.

20

The following summarizes information on intangible assets by major category:

	June 30, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Internally-developed software	$172.4	$ (76.7)	$ 95.7	$151.0	$ (53.2)	$ 97.8
Development costs non-software	52.2	(23.4)	28.8	48.4	(9.7)	38.7
Customer relationships	681.0	(63.4)	617.6	621.7	(25.4)	596.3
Other intangibles	87.3	(51.3)	36.0	85.3	(45.2)	40.1
Total	$992.9	$ (214.8)	$ 778.1	$906.4	$ (133.5)	$ 772.9

Amortization expense on capitalized software of $9.7 and $2.6 was included in service and software cost of sales for the three months ended June 30, 2017 and 2016, respectively, and $19.3 and $5.8 for the six months ended June 30, 2017 and 2016, respectively. The Company's total amortization expense, including deferred financing costs, was $39.5 and $4.5 for the three months ended June 30, 2017 and 2016, respectively, and $78.9 and $9.4 for the six months ended June 30, 2017 and 2016, respectively. The year-over-year increase in amortization expense was primarily related to the identifiable intangibles related to the Acquisition.

Note 13: Debt

Outstanding debt balances were as follows:

	June 30, 2017	December 31, 2016
Notes payable		
Uncommitted lines of credit	$65.5	$9.4
Term Loan A Facility	20.1	17.3
Delayed Draw Term Loan A Facility	14.1	—
Term Loan B Facility - USD	4.8	10.0
Term Loan B Facility - Euro	4.7	3.7
European Investment Bank	—	63.1
Other	3.3	3.4
	$112.5	$106.9
Long-term debt		
Revolving credit facility	$79.1	$—
Term Loan A Facility	189.8	201.3
Delayed Draw Term Loan A Facility	235.9	—
Term Loan B Facility - USD	469.1	787.5
Term Loan B Facility - Euro	468.3	363.5
2024 Senior Notes	400.0	400.0
Other	0.6	0.8
	1,842.8	1,753.1
Long-term deferred financing fees	(55.3)	(61.7)
	$1,787.5	$1,691.4

As of June 30, 2017, the Company had various international short-term uncommitted lines of credit with borrowing limits of $225.5, in the aggregate. The weighted-average interest rate on outstanding borrowings on the short-term uncommitted lines of credit as of June 30, 2017 and December 31, 2016 was 4.66 percent and 9.87 percent, respectively. The decrease in the weighted-average interest rate is attributable to a change in mix of borrowings of foreign entities. Short-term uncommitted lines mature in less than one year. The amount available under the short-term uncommitted lines at June 30, 2017 was $160.0, in the aggregate.

The cash flows related to debt borrowings and repayments were as follows:

	Six Months Ended June 30,	
	2017	2016
Revolving credit facility borrowings (repayments), net	$119.1	$142.0
Other debt borrowings		
Proceeds from Delayed Draw Term Loan A Facility under the Credit Agreement	$250.0	$—
Proceeds from Term Loan B Facility - USD under the Credit Agreement	—	990.0
Proceeds from Term Loan B Facility - Euro under the Credit Agreement	73.3	398.1
Proceeds from 2024 Senior Notes	—	393.0
International short-term uncommitted lines of credit borrowings	47.0	25.9
	$370.3	$1,807.0
Other debt repayments		
Payments on 2006 Senior Notes	$—	$(225.0)
Payments on Term Loan A Facility under the Credit Agreement	(8.6)	(5.8)
Payments on Term Loan B Facility - USD under the Credit Agreement	(323.7)	—
Payments on Term Loan B Facility - Euro under the Credit Agreement	(2.1)	—
Payments on European Investment Bank	(63.1)	—
International short-term uncommitted lines of credit and other repayments	(19.0)	(25.4)
	$(416.5)	$(256.2)

The Company entered into a revolving and term loan credit agreement (the Credit Agreement), dated as of November 23, 2015, among the Company and certain of the Company's subsidiaries, as borrowers, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders named therein. The Credit Agreement included, among other things, mechanics for the Company’s existing revolving and term loan A facilities to be refinanced under the Credit Agreement. On December 23, 2015, the Company entered into a Replacement Facilities Effective Date Amendment, which amended the Credit Agreement, among the Company, certain of the Company’s subsidiaries, the lenders identified therein and JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to which the Company refinanced its $520.0 revolving and $230.0 term loan A senior unsecured credit facilities (which have been terminated and repaid in full) with, respectively, a new unsecured revolving facility (the Revolving Facility) in an amount of up to $520.0 and a new (non-delayed draw) unsecured term loan A facility (the Term Loan A Facility) on substantially the same terms as the Delayed Draw Term Loan A Facility (as defined in the Credit Agreement) in the amount of up to $230.0. On December 23, 2020, the Term Loan A Facility will mature and the Revolving Facility will automatically terminate. The weighted-average interest rate on outstanding Revolving Facility borrowings as of June 30, 2017 and December 31, 2016 was 3.00 percent and 2.56 percent, respectively, which is variable based on the London Interbank Offered Rate (LIBOR). The amount available under the Revolving Facility as of June 30, 2017 was $440.9.

On April 19, 2016, the Company issued the $400.0 aggregate principal amount of 2024 Senior Notes in an offering exempt from the registration requirements of the Securities Act of 1933 (the Securities Act) in connection with the Acquisition. The 2024 Senior Notes are and will be guaranteed by certain of the Company’s existing and future

domestic subsidiaries.

On May 9, 2017 The Company entered into an incremental amendment to its Credit Agreement (Incremental Agreement) which reduced the initial term loan B facility (the Term Loan B Facility) of a $1,000.0 U.S. dollar-denominated tranche to $475.0. The reduction was funded using the$250.0 proceeds drawn from the Delayed Draw Term Loan A Facility, a replacement of $70.0 with Term Loan B Facility - Euro and previous principal payments.

In connection with the Incremental Agreement, the interest rate with respect to the Term Loan B Facility - USD is based on, at the Company’s option, adjusted LIBOR plus 2.75 percent (with a floor of 0.00 percent) or Alternate Base Rate (ABR) plus 1.75 percent

(with an ABR floor of 1.00 percent) and the interest rate with respect to the Term Loan B Facility - Euro is based on adjusted Euro Interbank Offered Rate (EURIBOR) plus 3.00 percent (with a floor of 0.00 percent). Prior to the Incremental Agreement, the interest rate for the Term Loan B Facility - USD was LIBOR plus an applicable margin of 4.50 percent (or, at the Company's option, prime plus an applicable margin of 3.50 percent), and the interest rate for the Term Loan B Facility - Euro was at the EURIBOR plus an applicable margin of 4.25 percent. As a result of the Incremental Agreement, the Company anticipates an approximate $5.0 reduction in interest expense per quarter.

The Incremental Amendment also renewed the repricing premium of 1.00 percent in relation to the Term Loan B Facility to the date that is six months after the Incremental Effective Date, removed the requirement to prepay the Repriced Dollar Term Loan and the Repriced Euro Term Loan upon any asset sale or casualty event if the Company is below a Total Net Leverage Ratio of 2.5:1.0 on a pro forma basis for such asset sale or casualty event and provides additional restricted payments and investment carveouts in regards to assets acquired with the Acquisition. All other material provisions under the Credit Agreement were unchanged.

On May 6 and August 16, 2016, the Company entered into the Second and Third Amendments to the Credit Agreement, which re-denominated a portion of the Term Loan B Facility into euros and guaranteed the prompt and complete payment and performance of the obligations when due under the Credit Agreement. On February 14, 2017, the Company entered into the Fourth Amendment to the Credit Agreement, which allows the proceeds from the Delayed Draw Term Loan A Facility to be used for general corporate purposes.

The Credit Agreement financial covenant ratios at June 30, 2017 are as follows:

- a maximum total net debt to adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) leverage ratio of 4.50 to 1.00 for the six months ended June 30, 2017 (reducing to 4.25 on December 31, 2017, further reduced to 4.00 on December 31, 2018, and further reduced to 3.75 on June 30, 2019); and
- a minimum adjusted EBITDA to net interest expense coverage ratio of not less than 3.00 to 1.00

Below is a summary of financing and replacement facilities information:

Financing and Replacement Facilities	Interest Rate Index and Margin	Maturity/Termination Dates	Term (Years)
Credit Agreement facilities			
Revolving Facility	LIBOR + 1.75%	December 2020	5
Term Loan A Facility	LIBOR + 1.75%	December 2020	5
Delayed Draw Term Loan A Facility	LIBOR + 1.75%	December 2020	5
Term Loan B Facility - USD	LIBOR[i] + 2.75%	November 2023	7.5
Term Loan B Facility - Euro	EURIBOR[ii] + 3.00%	November 2023	7.5
2024 Senior Notes	8.5%	April 2024	8

[i] LIBOR with a floor of 0.0%.
[ii] EURIBOR with a floor of 0.0%.

The debt facilities under the Credit Agreement are secured by substantially all assets of the Company and its domestic subsidiaries that are borrowers or guarantors under the Credit Agreement, subject to certain exceptions and permitted liens.

As of June 30, 2017, the Company was in compliance with the financial and other covenants within its debt agreements.

Note 14: Benefit Plans

The Company has qualified retirement plans covering certain U.S. employees that have been closed to new participants since 2003 and frozen since December 2013. Plans that cover salaried employees provide retirement benefits based on an employee's compensation during the ten years before the date of the plan freeze or the date of the employee's actual separation from service, if earlier. The Company's funding policy for salaried plans is to contribute annually based on actuarial projections and applicable regulations. Plans covering hourly employees generally provide benefits of stated amounts for each year of service. The Company's funding policy for hourly plans is to make at least the minimum annual contributions required by applicable regulations.

In connection with the Acquisition, the Company acquired postemployment benefit plans for certain groups of employees at the Company's new operations outside of the U.S. Plans vary depending on the legal, economic, and tax environments of the respective country. For financially significant defined benefit plans, accruals for pensions and similar commitments have been included in the results for this year. The new significant defined benefit plans are mainly arranged for employees in Germany, Switzerland and the Netherlands.

- In Germany, post-employment benefit plans are set up as employer funded pension plans and deferred compensation plans. 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 respective pension plan and credited to the individual retirement account of the employee. The retirement accounts may be used up at retirement by either a one-time lump-sum payout or payments of up to ten years. Insured events include disability, death and reaching of retirement age.

- In Switzerland, the post-employment benefit plan is required due to statutory provisions. The employees receive their pension payments as a function of contributions paid, a fixed interest rate and annuity factors. Insured events are disability, death and reaching of retirement age.

- In the Netherlands, there is an average career salary plan, which is employer- and employee-financed and handled by an external fund. Insured events are disability, death and reaching of retirement age. In the Netherlands, the plan assets are currently invested in a company pension fund.

Other financially significant defined benefit plans exist in the United Kingdom, Belgium and France.

The Company has non-qualified pension plans to provide supplemental retirement benefits to certain officers, which has been frozen since December 2013. Benefits are payable at retirement based upon a percentage of the participant's compensation, as defined. In addition to providing retirement benefits, the Company provides post-retirement healthcare and life insurance benefits (referred to as other benefits) for certain retired employees. Retired eligible employees in the U.S. may be entitled to these benefits based upon years of service with the Company, age at retirement and collective bargaining agreements. There are no plan assets and the Company funds the benefits as the claims are paid. The post-retirement benefit obligation was determined by application of the terms of medical and life insurance plans together with relevant actuarial assumptions and healthcare cost trend rates.

The following table sets forth the net periodic benefit cost for the Company’s defined benefit pension plans and other benefits for the three months ended June 30:

	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
Components of net periodic benefit cost				
Service cost	$3.6	$0.9	$—	$—
Interest cost	7.9	6.2	0.1	0.1
Expected return on plan assets	(8.6)	(6.8)	—	—
Recognized net actuarial loss	1.4	1.4	—	—
Net periodic pension benefit cost [1]	$4.3	$1.7	$0.1	$0.1

[1] The increase in net periodic pension benefit cost is a result of the Acquisition.

24

The following table sets forth the net periodic benefit cost for the Company's defined benefit pension plans and other benefits for the six months ended June 30:

	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
Components of net periodic benefit cost				
Service cost	$7.2	$1.8	$—	$—
Interest cost	15.8	12.4	0.2	0.2
Expected return on plan assets	(17.2)	(13.5)	—	—
Recognized net actuarial loss	2.8	2.8	—	0.1
Net periodic pension benefit cost [1]	$8.6	$3.5	$0.2	$0.3

[1] The increase in net periodic pension benefit cost is a result of the Acquisition.

Contributions

There have been no significant changes to the expected 2017 plan year contribution amounts previously disclosed. For the six months ended June 30, 2017 and 2016, contributions of $13.6 and $1.7, respectively, were made to the qualified and non-qualified pension plans.

Note 15: Guarantees and Product Warranties

The Company provides its global operations guarantees and standby letters of credit through various financial institutions for suppliers, customers, regulatory agencies and insurance providers. If the Company is not able to make payment or fulfill contractual obligations, the suppliers, customers, regulatory agencies and insurance providers may draw on the pertinent bank. At June 30, 2017, the maximum future payment obligations related to these various guarantees totaled $162.1, of which $28.0 represented standby letters of credit to insurance providers, and no associated liability was recorded. At December 31, 2016, the maximum future payment obligations relative to these various guarantees totaled $183.3, of which $28.0 represented standby letters of credit to insurance providers, and no associated liability was recorded.

The Company provides its customers a manufacturer's warranty and records, at the time of the sale, a corresponding estimated liability for potential warranty costs. Estimated future obligations due to warranty claims are based upon historical factors such as labor rates, average repair time, travel time, number of service calls per machine and cost of replacement parts. As of June 30, 2017 and 2016, the Company's warranty liability balances were $84.7 and $67.1, respectively. The increase in the warranty liability was primarily attributable to the acquired warranty accruals associated with the Acquisition.

Changes in the Company's warranty liability balance are illustrated in the following table:

	2017	2016
Balance at January 1	$99.4	$73.6
Current period accruals	8.5	6.2
Current period settlements	(21.9)	(20.6)
Currency translation adjustment	(1.3)	7.9

Balance at June 30	$84.7	$67.1

25

Note 16: Commitments and Contingencies

Contractual Obligations

At June 30, 2017, the Company had purchase commitments due within one year totaling $15.0 for materials through contract manufacturing agreements at negotiated prices.

Indirect Tax Contingencies

The Company accrues non-income-tax liabilities for indirect tax matters when management believes that a loss is probable and the amounts can be reasonably estimated, while contingent gains are recognized only when realized. In the event any losses are sustained in excess of accruals, they are charged against income. In evaluating indirect tax matters, management takes into consideration factors such as historical experience with matters of similar nature, specific facts and circumstances, and the likelihood of prevailing. Management evaluates and updates accruals as matters progress over time. It is reasonably possible that some of the matters for which accruals have not been established could be decided unfavorably to the Company and could require recognizing future expenditures. Also, statutes of limitations could expire without the Company paying the taxes for matters for which accruals have been established, which could result in the recognition of future gains upon reversal of these accruals at that time.

At June 30, 2017, the Company was a party to several routine indirect tax claims from various taxing authorities globally that were incurred in the normal course of business, which neither individually nor in the aggregate are considered material by management in relation to the Company’s financial position or results of operations. In management’s opinion, the consolidated financial statements would not be materially affected by the outcome of these indirect tax claims and/or proceedings or asserted claims.

In addition to these routine indirect tax matters, the Company was a party to the proceedings described below:

In August 2012, one of the Company's Brazil subsidiaries was notified of a tax assessment of approximately R$270.0, including penalties and interest, regarding certain Brazil federal indirect taxes (Industrialized Products Tax, Import Tax, Programa de Integração Social and Contribution to Social Security Financing) for 2008 and 2009. The assessment alleges improper importation of certain components into Brazil's free trade zone that would nullify certain indirect tax incentives. On September 10, 2012, the Company filed its administrative defenses with the tax authorities.

In March 2017, the administrative proceedings concluded and the assessment has been reduced approximately 95 percent to a total of R$17.3 including penalties and interest as of March 2017. The Company is pursuing its remedies in the judicial sphere and management continues to believe that it has valid legal positions. In addition, this matter could negatively impact Brazil federal indirect taxes in other years that remain open under statute. It is reasonably possible that the Company could be required to pay taxes, penalties and interest related to this matter, which could be material to the Company's condensed consolidated financial statements.

The Company has challenged customs rulings in Thailand seeking to retroactively collect customs duties on previous imports of ATMs. Management believes that the customs authority’s attempt to retroactively assess customs duties is in contravention of World Trade Organization agreements and, accordingly, is challenging the rulings. In the third

quarter of 2015, the Company received a prospective ruling from the United States Customs Border Protection which is consistent with the Company's interpretation of the treaty in question. The Company has submitted that ruling for consideration in its ongoing dispute with Thailand. In August 2016 and February 2017, the tax court of appeals rendered two decisions in favor of the Company related to more than half of the assessments at issue. The remaining matters are currently in various stages of the appeals process and management continues to believe that the Company has a valid legal position in these appeals. Accordingly, the Company has not accrued any amount for this contingency; however, the Company cannot provide any assurance that it will not ultimately be subject to retroactive assessments.

At June 30, 2017 and December 31, 2016, the Company had an accrual related to the Brazil indirect tax matter disclosed above of $7.2 and $7.3, respectively.

A loss contingency is reasonably possible if it has a more than remote but less than probable chance of occurring. Although management believes the Company has valid defenses with respect to its indirect tax positions, it is reasonably possible that a loss could occur in excess of the estimated accrual. The Company estimated the aggregate risk at June 30, 2017 to be up to approximately

$135.0 for its material indirect tax matters, of which $46.3 and $25.0, respectively, relates to the Brazil indirect tax matter and Thailand customs matter disclosed above. The aggregate risk related to indirect taxes is adjusted as the applicable statutes of limitations expire.

Legal Contingencies

At June 30, 2017, the Company was a party to several lawsuits that were incurred in the normal course of business, which neither individually nor in the aggregate are considered material by management in relation to the Company's financial position or results of operations. In management's opinion, the Company's condensed consolidated financial statements would not be materially affected by the outcome of these legal proceedings, commitments or asserted claims.

Note 17: Derivative Instruments and Hedging Activities

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate and foreign exchange rate risk, through the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business or financing activities. The Company's derivative foreign currency instruments are used to manage differences in the amount of the Company's known or expected cash receipts and cash payments principally related to the Company's non functional currency assets and liabilities. The Company's interest rate derivatives are used to manage the differences in amount due to variable rate interest rate borrowings.

The Company uses derivatives to mitigate the economic consequences associated with fluctuations in currencies and interest rates. The following table summarizes the gain (loss) recognized on derivative instruments:

Derivative instrument	Classification on condensed consolidated statements of operations	Three Months Ended June 30,		Six Months Ended June 30,	
		2017	2016	2017	2016
Non-designated hedges and interest rate swaps	Interest expense	$(0.9)	$(2.1)	$(2.1)	$(3.1)
Gain (loss) on foreign currency option contracts - acquisition related	Miscellaneous, net	—	(0.9)	—	35.6
Foreign exchange forward contracts and cash flow hedges	Foreign exchange gain (loss), net	4.2	4.1	4.0	0.3
Foreign exchange forward contracts - acquisition related	Miscellaneous, net	—	(22.7)	—	(22.7)
Total		$3.3	$(21.6)	$1.9	$10.1

Foreign Exchange

Net Investment Hedges The Company has international subsidiaries with net balance sheet positions that generate cumulative translation adjustments within AOCI. The Company uses derivatives to manage potential changes in value

of its net investments. The Company uses the forward-to-forward method for its quarterly measurement of ineffectiveness assessments of hedge effectiveness. No ineffectiveness results if the notional amount of the derivative matches the portion of the net investment designated as being hedged because the Company uses derivative instruments with underlying exchange rates consistent with its functional currency and the functional currency of the hedged net investment. Changes in value that are deemed effective are accumulated in AOCI where they will remain until they are reclassified to income together with the gain or loss on the entire investment upon substantial liquidation of the subsidiary. The fair value of the Company's net investment hedge contracts were $1.0 and $(0.3) as of June 30, 2017 and December 31, 2016, respectively. The net gain (loss) recognized in AOCI on net investment hedge derivative instruments was $1.5 and $(6.0) in the three months ended June 30, 2017 and 2016, respectively. and $(1.4) and $(11.5) in the six months ended June 30, 2017 and 2016, respectively.

On August 15, 2016, the Company designated its €350.0 euro-denominated Term Loan B Facility as a net investment hedge of its investments in certain subsidiaries that use the Euro as their functional currency in order to reduce volatility in stockholders' equity caused by the changes in foreign currency exchange rates of the Euro with respect to the U.S. Dollar. Effectiveness is assessed at least quarterly by confirming that the respective designated net investments' net equity balances at the beginning of any period collectively continues to equal or exceed the balance outstanding on the Company's Euro-denominated term loan. Changes in value that are deemed effective are accumulated in AOCI. When the respective net investments are sold or substantially liquidated, the balance of the cumulative translation adjustment in AOCI will be reclassified into earnings. The net gain (loss) recognized in AOCI on net investment hedge foreign currency borrowings was $(19.7) in the three months ended June 30, 2017 and $(25.8) and for the six months ended June 30, 2017. On March 30, 2017, the Company de-designated €130.6 of its euro-denominated Term Loan B Facility and on May 9, 2017, the Company designated an additional €66.8 of its euro-denominated Term Loan B Facility as a result of its repricing described under note 13.

Non-Designated Hedges A substantial portion of the Company’s operations and revenues are international. As a result, changes in foreign exchange rates can create substantial foreign exchange gains and losses from the revaluation of non-functional currency monetary assets and liabilities. The Company’s policy allows the use of foreign exchange forward contracts with maturities of up to 24 months to mitigate the impact of currency fluctuations on those foreign currency asset and liability balances. The Company elected not to apply hedge accounting to its foreign exchange forward contracts. Thus, spot-based gains/losses offset revaluation gains/losses within foreign exchange loss, net and forward-based gains/losses represent interest expense or income. The fair value of the Company’s non-designated foreign exchange forward contracts was $(0.9) and $2.6 as of June 30, 2017 and December 31, 2016, respectively.

Cash Flow Hedges The Company is exposed to fluctuations in various foreign currencies against its functional currency. At the Company, both sales and purchases are transacted in foreign currencies. Wincor Nixdorf International GmbH (WNI) is the Diebold Nixdorf AG currency management center. Currency risks in the aggregate are identified, quantified, and controlled at the WNI treasury center, and furthermore, it provides foreign currencies if necessary. The Diebold Nixdorf AG subsidiaries are primarily exposed to the USD and GBP as the EUR is its functional currency. This risk is considerably reduced by natural hedging (i.e. management of sales and purchases by choice location and suppliers). For the remainder of the risk that is not naturally hedged, foreign currency forwards are used to manage the exposure between EUR-GBP and EUR-USD.

Derivative transactions are recorded on the balance sheet at fair value. For transactions designated as cash flow hedges, the effective portion of changes in the fair value are recorded in AOCI and are subsequently reclassified into earnings in the period that the hedged forecasted transactions impact earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. As of June 30, 2017, the Company had the following outstanding foreign currency derivatives that were used to hedge its foreign exchange risks:

Foreign Currency Derivative	Number of Instruments	Notional Sold		Notional Purchased	
Currency forward agreements (EUR-USD)	16	73.2	USD	66.2	EUR
Currency forward agreements (EUR-GBP)	13	30.3	GBP	34.9	EUR
Currency forward agreements (EUR-CAD)	1	4.5	CAD	3.0	EUR
Currency forward agreements (EUR-CZK)	2	159.2	CZK	5.9	EUR

The remaining net currency risk not hedged by forward currency transactions amounts to approximately $28.6 and £8.5 for the six months ended June 30, 2017. The flows of foreign currency are recorded centrally for Diebold Nixdorf AG and, where feasible, equalized out. No foreign currency options were transacted during the current and previous year. If the euro had been revalued and devalued respectively by 10 percent against the U.S. dollar the other components of equity (before deferred taxes) and the fair value of forward currency transactions would have been €5.7 higher, and €7.0 lower, respectively for the six months ended June 30, 2017. If the euro had been revalued and devalued respectively by 10 percent against pounds sterling as of June 30, 2017, the other components of equity (before deferred taxes) and the fair value of forward currency transactions would have been €3.1 higher and €3.8 lower, respectively, for the six months ended June 30, 2017.

Foreign Currency Option Contracts - acquisition related On November 23, 2015, the Company entered into two foreign currency option contracts to purchase €1,416.0 for $1,547.1 to hedge against the effect of exchange rate fluctuations on the euro-denominated cash consideration related to the Acquisition and estimated euro-denominated transaction related costs and any

28

outstanding Diebold Nixdorf AG borrowings. At that time, the euro-denominated cash component of the purchase price consideration was €1,162.2. The weighted average strike price was $1.09 per euro.

On April 29, 2016, the Company entered into one foreign currency forward contract to purchase €713.0 for $820.9 to hedge against the effect of exchange rate fluctuations on the euro-denominated cash consideration related to the Acquisition and estimated euro denominated deal related costs and any outstanding Diebold Nixdorf AG borrowings. The forward rate is $1.1514. This foreign currency forward contract is non-designated and included in other current assets or other current liabilities based on the net asset or net liability position, respectively, in the condensed consolidated balance sheets. The gains and losses from the revaluation of the foreign currency forward contract are included in other (expense) income miscellaneous, net on the condensed consolidated statements of operations.

During the three and six months ended June 30, 2016, the Company recorded a $(23.6) and $12.9, respectively, mark-to-market (loss) gain on foreign currency and forward option contracts reflected in miscellaneous, net. The fair value of the Company's foreign currency forward and option contracts were $(22.7) as of June 30, 2016 and were included in other current liabilities.

During the year ended December 31, 2016, the Company recorded a $9.3 mark-to-market gain (loss) on foreign currency and forward option contracts reflected in miscellaneous, net.

Interest Rate

Cash Flow Hedges The Company’s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. During November 2016, the Company entered into multiple pay-fixed receive-variable interest rate swaps outstanding with an aggregate notional amount of $400.0.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in AOCI and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the fourth quarter of 2016, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings.

Amounts reported in AOCI related to derivatives will be reclassified to interest expense as interest payments are made on the Company’s variable-rate debt. The Company estimates that an additional $0.1 will be reclassified as an increase to interest expense over the next year.

Additionally, the Company does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated as hedges.

In connection with the Acquisition, the Company acquired an interest swap for a nominal sum of €50.0, which was entered into in May 2010 with a ten-year term from October 1, 2010 until September 30, 2020. For this interest swap, the three-month EURIBOR is received and a fixed interest of 2.97 percent is paid. The fair value, which is measured at market prices. As of June 30, 2017 and December 31, 2016, the fair value was €(6.0) and €(6.3), respectively. Because this swap was accounted for as a cash flow hedge, the change in fair value of €0.3 was directly recognized in AOCI. For the six months ended June 30, 2017, the amount reclassified from equity to profit or loss was not significant.

In December 2005 and January 2006, the Company executed cash flow hedges by entering into pay-fixed receive-variable interest rate swaps, with a total notional amount of $200.0, related to the 2006 Senior Notes. Amounts previously recorded in AOCI related to the pre-issuance cash flow hedges were reclassified to interest expense on a straight-line basis through February 2016. The gain recognized on designated cash flow hedge derivative instruments was minimal for the six months ended June 30, 2016.

Note 18: Fair Value of Assets and Liabilities

Assets and Liabilities Recorded at Fair Value

Assets and liabilities subject to fair value measurement are as follows:

		June 30, 2017			December 31, 2016		
			Fair Value Measurements Using			Fair Value Measurements Using	
	Classification on condensed consolidated Balance Sheets	Fair Value	Level 1	Level 2	Fair Value	Level 1	Level 2
Assets							
Short-term investments							
Certificates of deposit	Short-term investments	$76.9	$ 76.9	$ —	$64.1	$ 64.1	$ —
Assets held in rabbi trusts	Securities and other investments	8.9	8.9	—	8.5	8.5	—
Foreign exchange forward contracts	Other current assets	4.3	—	4.3	7.2	—	7.2
Internal currency swap	Other current assets	2.9	—	2.9	—	—	—
Interest rate swaps	Other current assets	0.6	—	0.6	—	—	—
Interest rate swaps	Securities and other investments	6.3	—	6.3	8.4	—	8.4
Internal currency swap	Other assets	13.4	—	13.4	—	—	—
Total		$113.3	$ 85.8	$ 27.5	$88.2	$ 72.6	$ 15.6
Liabilities							
Foreign exchange forward contracts	Other current liabilities	$5.4	$ —	$ 5.4	$7.7	$ —	$ 7.7
Interest rate swaps	Other current liabilities	6.9	—	6.9	6.9	—	6.9
Internal currency swap	Other current liabilities	2.9	—	2.9	—	—	—
Internal currency swap	Other liabilities	13.4	—	13.4	—	—	—
Deferred compensation	Other liabilities	8.9	8.9	—	8.5	8.5	—
Total		$37.5	$ 8.9	$ 28.6	$23.1	$ 8.5	$ 14.6

The Company uses the end of period when determining the timing of transfers between levels. During the six months ended June 30, 2017, there were no transfers between levels.

The fair value and carrying value of the Company's debt instruments are summarized as follows:

	June 30, 2017		December 31, 2016	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Notes payable	$112.5	$112.5	$106.9	$106.9
Term Loan A Facility	189.8	189.8	201.3	201.3
Delayed Draw Term Loan A Facility	235.9	235.9	—	—
Term Loan B Facility - USD	469.1	469.1	787.5	787.5
Term Loan B Facility - Euro	468.3	468.3	363.5	363.5
2024 Senior Notes	446.0	400.0	426.0	400.0
Other	0.6	0.6	0.8	0.8
Long-term deferred financing fees	(55.3)	(55.3)	(61.7)	(61.7)
Long-term debt	1,833.5	1,787.5	1,717.4	1,691.4
Total debt instruments	$1,946.0	$1,900.0	$1,824.3	$1,798.3

Refer to note 13 for further details surrounding the increase in long-term debt as of June 30, 2017 compared to December 31, 2016.

Note 19: Restructuring

The following table summarizes the impact of the Company's restructuring charges on the condensed consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Cost of sales – services and software	$12.6	$1.4	$15.6	$1.7
Cost of sales – systems	1.0	—	1.6	—
Selling and administrative expense	2.4	3.5	10.8	3.6
Research, development and engineering expense	(1.6)	0.1	(0.7)	0.1
Total	$14.4	$5.0	$27.3	$5.4

The following table summarizes the Company's type of restructuring charges by reportable operating segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Severance				
Services	$14.2	$2.3	$18.9	$2.3
Software	0.5	0.2	(0.2)	0.5

Systems	0.9	0.8	3.5	0.9
Corporate	(1.2)	1.7	5.1	1.7
Total severance	$14.4	$5.0	$27.3	$5.4

Multi-Year Transformation Plan

During the first quarter of 2013, the Company announced a multi-year transformation plan, which focused on globalizing the Company's service organization and creating a unified center-led global organization for research and development, as well as transforming the Company's general and administrative cost structure. Restructuring charges related to the Company's multi-year transformation plan were $5.0 and $5.4 for the three and six months ended June 30, 2016, respectively. The multi-year transformation plan was considered complete as of December 31, 2016.

DN2020 Plan

As of August 15, 2016, the date of the Acquisition, the Company launched a multi-year integration and transformation program, known as DN2020. The DN2020 plan focuses on the utilization of cost efficiencies and synergy opportunities that result from the Acquisition, which aligns employee activities with the Company's goal of delivering net operating profit savings of approximately $240 by the year 2020. The Company incurred restructuring charges of $14.4 and $27.3 for the three and six months ended June 30, 2017 related to DN2020. The Company anticipates additional restructuring costs of approximately $75 primarily related to severance anticipated for completion of the Company's integration and transformation plans throughout the three lines of business to be incurred through the end of DN2020.

Delta Program

At the beginning of the 2015, Diebold Nixdorf AG initiated the Delta Program related to restructuring and realignment. As part of a change process that will span several years, the Delta Program is designed to hasten the expansion of software and professional services operations and to further enhance profitability in the services business. This program includes expansion in the high-end fields of managed services and outsourcing. It also involves capacity adjustments on the hardware side, enabling the Company to respond more effectively to market volatility while maintaining its abilities with innovation. As of August 15, 2016, the date of the Acquisition, the restructuring accrual balance acquired was $45.5 and consisted of severance activities. The Company did not incur restructuring charges during the three and six months ended June 30, 2017 related to this plan. As of June 30, 2017, the Company does not anticipate additional restructuring costs to be incurred through the end of the plan.

Strategic Alliance Plan

On November 10, 2016, the Company entered into a strategic alliance plan with the Inspur Group, a Chinese cloud computing and data center company, to develop, manufacture and distribute banking solutions in China. The Company did not incur restructuring charges during the three and six months ended June 30, 2017 related to this plan. The Company anticipates additional restructuring costs primarily related to severance of approximately $1.0 to be incurred through the end of the plan.

The following table summarizes the Company's cumulative total restructuring costs by plan as of June 30, 2017:

	DN2020 Plan	Delta Program	Strategic Alliance	Total
Services	$ 40.3	$ 0.1	$ 2.0	$42.4
Software	5.8	1.8	0.1	7.7
Systems	16.8	—	3.6	20.4
Corporate	7.2	1.3	—	8.5
Total	$ 70.1	$ 3.2	$ 5.7	$79.0

The following table summarizes the Company’s restructuring accrual balances and related activity for the six months ended June 30:

	2017	2016
Balance at January 1	$89.9	$4.7
Liabilities incurred	27.3	5.4
Liabilities paid/settled	(37.7)	(4.8)
Balance at June 30	$79.5	$5.3

Note 20: Segment Information

The Company's accounting policies derive segment results that are the same as those the CODM regularly reviews and uses to make decisions, allocate resources and assess performance. The Company continually considers its operating structure and the information subject to regular review by its Chief Executive Officer, who is the CODM, to identify reportable operating segments. The Company’s operating structure is based on a number of factors that management uses to evaluate, view and run its business operations, which currently includes, but is not limited to, product, service and solution. The Company measures the performance of each segment based on several metrics, including net sales and segment operating profit. The CODM uses these results to make decisions, allocate resources and assess performance by the LOBs.

Segment revenue represents revenues from sales to external customers. Segment operating profit is defined as revenues less expenses identifiable to those segments. The Company does not allocate to its segments certain operating expenses, which it manages at the corporate level; that are not routinely used in the management of the segments; or information that is impractical to report. These unallocated costs include certain corporate costs, amortization of acquired intangible assets and deferred revenue, restructuring charges, impairment charges, legal, indemnification, and professional fees related to corporate monitor efforts, acquisition and divestiture expenses, along

with other income (expenses). Segment operating profit reconciles to consolidated income (loss) from continuing operations before income taxes by deducting corporate costs and other income or expense items that are not attributed to the segments. Assets are not allocated to segments, and thus are not included in the assessment of segment performance, and consequently, we do not disclose total assets and depreciation and amortization expense by reportable operating segment.

In August 2016, in connection with the business combination agreement related to the Acquisition, the Company announced the realignment of its lines of business to drive greater efficiency and further improve customer service. During the first quarter of 2017, the Company reorganized the management team reporting to the CODM and evaluated and assessed the LOB reporting structure. The Company's reportable operating segments are based on the following three LOBs: Services, Systems, and Software. As a result, the Company reclassified comparative periods for consistency. The presentation of comparative periods also reflects the reclassification of certain global manufacturing administration expenses from corporate charges not allocated to segments to segment operating profit.

Services

Product-related services provided by the Company include proactive monitoring and rapid resolution of incidents through remote service capabilities or an on-site visit. First and second line maintenance, preventive maintenance and on-demand services keep the distributed assets of the Company's customers up and running through a standardized incident management process. Managed services and outsourcing consists of the end-to-end business processes, solution management, upgrades and transaction processing. The global service supply chain optimizes the process for obtaining replacement parts, making repairs, and implementing new features and functionality. The Company also provides a full array of cash management services, which optimizes the availability and cost of physical currency across the enterprise through efficient forecasting, inventory and replenishment processes.

Software
The Company provides front end applications for consumer connection points and back end platforms that manage channel transactions, operations and integration. The Company’s hardware-agnostic software applications facilitate millions of transactions via ATMs, point of sale (POS) terminals, kiosks, and a host of other self-service devices. The Company’s platform software facilitates omni-channel transactions, endpoint monitoring, remote asset management, marketing, merchandise management and analytics.

The professional services team provides systems integration, customization, consulting and project management. The Company’s advisory services team collaborates with its customers to help define optimal user experience, improve business processes, refine existing staffing models and deploy technology to meet branch automation objectives.

Systems
The systems portfolio consists of cash recyclers and dispensers, intelligent deposit terminals, teller automation tools, physical security devices, integrated and mobile POS systems. Supplementing the POS system is a broad range of peripherals, including printers, scales and mobile scanners, as well as the cash management portfolio which offers a wide range of banknote and coin processing systems. Also in the portfolio, the Company provides self-checkout terminals and ordering kiosks.

The following tables represent information regarding the Company’s segment information and provides a reconciliation between segment operating profit and the consolidated income (loss) from continuing operations before income taxes:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Revenue summary by segment				
Services	$580.2	$329.6	$1,153.4	$646.5
Software	107.7	30.6	218.1	53.0
Systems	446.0	219.8	865.2	390.1
Total revenue	$1,133.9	$580.0	$2,236.7	$1,089.6
Segment operating profit				
Services	$77.0	$71.8	$158.2	$134.0
Software	6.4	0.2	11.7	(8.1)

Systems	(1.6)	(14.0)	(5.5)	(29.1)
Total segment operating profit	81.8	58.0	164.4	96.8
Corporate charges not allocated to segments [1]	(41.4)	(24.5)	(82.3)	(54.5)
Restructuring charges	(14.4)	(5.0)	(27.3)	(5.4)
Net non-routine expense	(56.1)	(18.2)	(133.5)	(32.3)
	(111.9)	(47.7)	(243.1)	(92.2)
Operating profit (loss)	(30.1)	10.3	(78.7)	4.6
Other income (expense)	(29.8)	(46.0)	(56.0)	(20.4)
Income (loss) from continuing operations before taxes	$(59.9)	$(35.7)	$(134.7)	$(15.8)

[1] Corporate charges not allocated to segments include headquarter-based costs associated with procurement, human resources, compensation and benefits, finance and accounting, global development/engineering, global strategy/mergers and acquisitions, global information technology, tax, treasury and legal.

Net non-routine expense consists of items that the Company has determined are non-routine in nature and not allocated to the LOBs. Net non-routine expense of $133.5 for the six months ended June 30, 2017 was due to legal, acquisition and divestiture

33

expenses of $17.4 inclusive of the mark-to-mark impact on Diebold Nixdorf AG stock options and Acquisition integration expenses of $34.9 primarily within selling and administrative expense and purchase accounting pretax charges, which included deferred revenue of $20.7 and amortization of acquired intangibles of $65.2 offset by a decrease in cost of sales of $0.9 related to measurement period adjustments of inventory. Net non-routine expense of $32.3 for the six months ended June 30, 2016 was primarily due to legal, acquisition and divestiture related costs of $31.2 within selling and administrative expense.

The following table presents information regarding the Company's revenue by service and product solution:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Banking				
Services and software	$541.1	$362.3	$1,087.0	$703.4
Systems	302.8	202.0	576.5	368.5
Total banking	843.9	564.3	1,663.5	1,071.9
Retail				
Services and software	146.8	—	284.5	—
Systems	143.2	15.7	288.7	17.7
Total retail	290.0	15.7	573.2	17.7
	$1,133.9	$580.0	$2,236.7	$1,089.6

Note 21: Divestitures

During the second quarter of 2017, the Company divested its legacy Diebold business in the United Kingdom to Cennox Group for $5.0, fulfilling the requirements previously set forth by the U.K. Competition and Markets Authority (CMA). The divestiture closed on June 30, 2017. The legacy, independent Wincor Nixdorf U.K. and Ireland business will be completely integrated into the global Diebold Nixdorf operations and brand. Additionally, as part of the Company's routine efforts to evaluate its business operations, during the second quarter of 2017, the Company agreed to sell its electronic security business located in Mexico to a wholly-owned subsidiary of Securitas AB. The Company recorded a pre-tax gain of $7.4 related to these transactions. The combined net sales of the business in the United Kingdom and the electronic security business located in Mexico represented less than one percent of total net sales of the Company for the 2017 and 2016.

In December 2015, the Company announced it was forming a new strategic alliance with a subsidiary of the Inspur Group, a Chinese cloud computing and data center company, to develop, manufacture and distribute banking solutions in China. The Inspur Group holds a majority stake of 51.0 percent in the new jointly owned company, Inspur JV. In November 2016, the Inspur JV was formed and the Company did not have a significant gain or loss from the transaction. The Inspur JV offers a complete range of self-service terminals within the Chinese market, including ATMs. The Company serves as the exclusive distributor outside of China for all products developed by the Inspur JV, which is sold under the Diebold Nixdorf brand. The Company does not consolidate Inspur JV and includes its results of operations in equity in earnings of an investee included in other income (expense) of the condensed consolidated statements of operations.

In addition, to support the services-led approach to the market, the Company will divest a minority share of its current China operations to the Inspur Group. Moving forward, this business will be focused on providing a whole suite of services, including installation, maintenance, professional and managed services related to ATMs and other automated transaction solutions.

During the third quarter of 2016, the Company received cash proceeds of $27.7 related to the sale of stock in its Aevi International GmbH and Diebold Nixdorf AG China subsidiaries. In addition to the cash proceeds received, the Company recorded deferred payments of $44.7 for the divestiture of its Diebold Nixdorf AG China subsidiaries. The Diebold Nixdorf AG China sale was reflected in the opening balance sheet and no gain or loss was recorded. The Diebold Nixdorf AG China sale was in connection with the June 2016 Diebold Nixdorf AG announcement to establish a strategic alliance with Aisino Corporation, to position itself in China to offer solutions that meet Chinese banking regulations. Aisino Corporation is a Chinese company that specializes in intelligent anti-forgery tax control systems, electronic fund transfer (EFT) POS solutions, financial IC cards, bill receipt printing solutions and public IT security solutions. Following the closing of the transaction, the Company holds a noncontrolling interest in the Aisino JV of 43.6 percent. The Company includes the Aisino JV results of operations in equity in earnings of investees included in other income (expense) of the condensed consolidated statements of operations.

On October 25, 2015, the Company entered into a definitive asset purchase agreement with a wholly-owned subsidiary of Securitas AB (Securitas Electronic Security) to divest its electronic security (ES) business located in the U.S. and Canada for an aggregate purchase price of $350.0 in cash, 10.0 percent of which was contingent based on the successful transition of certain customer relationships, which was paid in the first quarter of 2016. For ES to continue

its growth, it would require resources and investment that Diebold Nixdorf is not committed to make given its focus on the self-service market. The Company recorded a pre-tax gain of $239.5 on the ES divestiture, which was recognized during 2016.

The Company had also agreed to provide certain transition services to Securitas Electronic Security after the closing, including providing Securitas Electronic Security a $6.0 credit for such services, of which $5.0 relates to a quarterly payment to Securitas Electronic Security and $1.0 is a credit against payments due from Securitas Electronic Security. During the year ended December 31, 2016, $5.0 was paid as part of the quarterly payments and $1.0 was used against amounts owed by Securitas Electronic Security, fulfilling the Company's obligation.

The closing of the transaction occurred on February 1, 2016. The operating results for the NA electronic security business were previously included in the Company's former NA segment and have been reclassified to discontinued operations for all of the periods presented. Cash flows provided or used by the NA electronic security business are presented as cash flows from discontinued operations for all of the periods presented. The operating results, assets and liabilities and cash flows from discontinued operations are no longer included in the financial statements of the Company from the closing date.

The following summarizes select financial information included in income from discontinued operations, net of tax:

	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Net sales		
Services and software	$ —	$ 16.3
Systems	—	8.5
	—	24.8
Cost of sales		
Services and software	—	15.1
Systems	—	6.9
	—	22.0
Gross profit	—	2.8
Selling and administrative expense	—	4.8
Income from discontinued operations before taxes	—	(2.0)
Income tax benefit	—	(0.7)
	—	(1.3)
Gain on sale of discontinued operations before taxes	—	243.3
Income tax (benefit) expense	(0.5)	93.7
Gain on sale of discontinued operations, net of tax	0.5	149.6
Income from discontinued operations, net of tax	$ 0.5	$ 148.3

Note 22: Supplemental Guarantor Information

The Company issued the 2024 Senior Notes in an offering exempt from the registration requirements of the Securities Act in connection with the Acquisition. The 2024 Senior Notes are and will be guaranteed by certain of the Company's existing and future domestic subsidiaries. The following presents the condensed consolidating financial information separately for:

(i) Diebold Nixdorf, Incorporated (the Parent Company), the issuer of the guaranteed obligations;

(ii) Guarantor Subsidiaries, on a combined basis, as specified in the indenture governing the Company's obligations under the 2024 Senior Notes;

(iii) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between the Parent Company, the Guarantor Subsidiaries and the Non-guarantor Subsidiaries, (b) eliminate the investments in its subsidiaries, and (c) record consolidating entries; and

(iv) Diebold Nixdorf, Incorporated and Subsidiaries on a consolidated basis.

Each guarantor subsidiary is 100 percent owned by the Parent Company at the date of each balance sheet presented. The notes are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary. The guarantees of the guarantor subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions. Each entity in the consolidating financial information follows the same accounting policies as described in the condensed consolidated financial statements, except for the use by the Parent Company and the guarantor subsidiaries of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation. Changes in intercompany receivables and payables related to operations, such as intercompany sales or service charges, are included in cash flows from operating activities. Intercompany transactions reported as investing or financing activities include the sale of capital stock of various subsidiaries, loans and other capital transactions between members of the consolidated group.

Certain non-guarantor subsidiaries of the Parent Company are limited in their ability to remit funds to it by means of dividends, advances or loans due to required foreign government and/or currency exchange board approvals or limitations in credit agreements or other debt instruments of those subsidiaries.

Table of Contents
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
FORM 10-Q as of June 30, 2017
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)
(in millions, except per share amounts)

Condensed Consolidating Balance Sheets
As of June 30, 2017

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications/ Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$6.5	$ 2.2	$ 442.6	$ —	$ 451.3
Short-term investments	—	—	76.9	—	76.9
Trade receivables, net	144.1	0.3	786.3	—	930.7
Intercompany receivables	757.2	929.7	1,944.3	(3,631.2)	—
Inventories	164.5	0.2	614.6	—	779.3
Prepaid expenses	9.6	0.9	53.6	—	64.1
Income taxes	—	4.1	132.0	(4.8)	131.3
Other current assets	7.4	1.1	199.5	—	208.0
Total current assets	1,089.3	938.5	4,249.8	(3,636.0)	2,641.6
Securities and other investments	93.7	—	—	—	93.7
Property, plant and equipment, net	96.7	3.2	292.0	—	391.9
Goodwill	55.5	—	1,026.9	—	1,082.4
Deferred income taxes	241.0	7.8	111.1	—	359.9
Finance lease receivables	—	3.4	15.0	—	18.4
Intangible assets, net	0.9	10.7	766.5	—	778.1
Investment in subsidiary	2,719.5	—	15.9	(2,735.4)	—
Other assets	30.3	—	59.2	—	89.5
Total assets	$4,326.9	$ 963.6	$ 6,536.4	$ (6,371.4)	$ 5,455.5
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY					
Current liabilities					
Notes payable	$83.7	$ 0.6	$ 28.2	$ —	$ 112.5
Accounts payable	99.7	0.2	502.5	—	602.4
Intercompany payable	1,320.5	179.1	2,131.6	(3,631.2)	—
Deferred revenue	99.7	0.3	326.1	—	426.1
Payroll and other benefits liabilities	15.5	0.9	160.0	—	176.4
Other current liabilities	97.1	2.0	470.7	(4.8)	565.0
Total current liabilities	1,716.2	183.1	3,619.1	(3,636.0)	1,882.4
Long-term debt	1,786.9	0.2	0.4	—	1,787.5
Pensions, post-retirement and other benefits	211.2	—	85.7	—	296.9
Deferred income taxes	13.3	—	267.7	—	281.0
Other liabilities	12.1	—	121.9	—	134.0
Commitments and contingencies					
Redeemable noncontrolling interests	—	—	449.0	—	449.0
Total Diebold Nixdorf, Incorporated shareholders' equity	587.2	780.3	1,955.1	(2,735.4)	587.2

Noncontrolling interests	—	—	37.5	—	37.5
Total liabilities, redeemable noncontrolling interests and equity	$4,326.9	$ 963.6	$ 6,536.4	$ (6,371.4)	$ 5,455.5

38

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
FORM 10-Q as of June 30, 2017
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)
(in millions, except per share amounts)

Condensed Consolidating Balance Sheets
As of December 31, 2016

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications/ Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	$138.4	$ 2.3	$ 512.0	$ —	$ 652.7
Short-term investments	—	—	64.1	—	64.1
Trade receivables, net	119.0	—	717.5	(0.6)	835.9
Intercompany receivables	883.0	783.7	480.1	(2,146.8)	—
Inventories	110.5	16.2	611.0	—	737.7
Prepaid expenses	14.7	0.8	45.2	—	60.7
Income taxes	0.3	25.4	84.9	(25.4)	85.2
Other current assets	3.2	1.6	178.5	—	183.3
Total current assets	1,269.1	830.0	2,693.3	(2,172.8)	2,619.6
Securities and other investments	94.7	—	—	—	94.7
Property, plant and equipment, net	102.7	9.0	275.3	—	387.0
Goodwill	55.5	—	942.8	—	998.3
Deferred income taxes	173.1	7.8	128.6	—	309.5
Finance lease receivables	—	4.8	20.4	—	25.2
Intangible assets, net	1.8	13.6	757.5	—	772.9
Investment in subsidiary	2,619.6	—	9.3	(2,628.9)	—
Other assets	2.9	0.1	60.1	—	63.1
Total assets	$4,319.4	$ 865.3	$ 4,887.3	$ (4,801.7)	$ 5,270.3
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY					
Current liabilities					
Notes payable	$30.9	$ 1.3	$ 74.7	$ —	$ 106.9
Accounts payable	101.6	1.1	458.4	(0.6)	560.5
Intercompany payable	1,376.6	175.9	594.3	(2,146.8)	—
Deferred revenue	114.7	0.7	288.8	—	404.2
Payroll and other benefits liabilities	21.0	1.4	150.1	—	172.5
Other current liabilities	156.1	3.9	445.8	(25.4)	580.4
Total current liabilities	1,800.9	184.3	2,012.1	(2,172.8)	1,824.5
Long-term debt	1,690.5	0.4	0.5	—	1,691.4
Pensions, post-retirement and other benefits	212.6	—	84.6	—	297.2
Deferred income taxes	13.4	—	287.2	—	300.6
Other liabilities	10.6	—	77.1	—	87.7
Commitments and contingencies					
Redeemable noncontrolling interests	—	—	44.1	—	44.1
Total Diebold Nixdorf, Incorporated shareholders' equity	591.4	680.6	1,948.3	(2,628.9)	591.4

Noncontrolling interests	—	—	433.4	—	433.4
Total liabilities, redeemable noncontrolling interests and equity	$4,319.4	$ 865.3	$ 4,887.3	$ (4,801.7)	$ 5,270.3

39

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
Three Months Ended June 30, 2017

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications/ Eliminations	Consolidated
Net sales	$253.8	$ 1.4	$ 879.4	$ (0.7)	$ 1,133.9
Cost of sales	198.6	2.7	695.5	(0.7)	896.1
Gross profit	55.2	(1.3)	183.9	—	237.8
Selling and administrative expense	75.8	2.1	158.9	—	236.8
Research, development and engineering expense	1.0	9.8	28.0	—	38.8
(Gain) loss on sale of assets, net	—	0.1	(7.8)	—	(7.7)
	76.8	12.0	179.1	—	267.9
Operating profit (loss)	(21.6)	(13.3)	4.8	—	(30.1)
Other income (expense)					
Interest income	0.4	—	4.7	—	5.1
Interest expense	(29.7)	—	(2.5)	—	(32.2)
Foreign exchange gain (loss), net	2.3	—	(6.9)	—	(4.6)
Equity in earnings of subsidiaries	(21.1)	—	—	21.1	—
Miscellaneous, net	1.1	2.1	(1.3)	—	1.9
Income (loss) from continuing operations before taxes	(68.6)	(11.2)	(1.2)	21.1	(59.9)
Income tax (benefit) expense	(38.0)	(16.3)	18.0	—	(36.3)
Net income (loss)	(30.6)	5.1	(19.2)	21.1	(23.6)
Net income attributable to noncontrolling interests	—	—	7.0	—	7.0
Net income (loss) attributable to Diebold Nixdorf, Incorporated	$(30.6)	$ 5.1	$ (26.2)	$ 21.1	$ (30.6)
Comprehensive income (loss)	$53.5	$ 5.1	$ 76.5	$ (72.9)	$ 62.2
Less: comprehensive income (loss) attributable to noncontrolling interests	—	—	8.7	—	8.7
Comprehensive income (loss) attributable to Diebold Nixdorf, Incorporated	$53.5	$ 5.1	$ 67.8	$ (72.9)	$ 53.5

Table of Contents
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
FORM 10-Q as of June 30, 2017
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)
(in millions, except per share amounts)

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
Three Months Ended June 30, 2016

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications/ Eliminations	Consolidated
Net sales	$289.6	$ 27.1	$ 289.9	$ (26.6)	$ 580.0
Cost of sales	214.3	24.5	212.6	(26.5)	424.9
Gross profit	75.3	2.6	77.3	(0.1)	155.1
Selling and administrative expense	77.9	3.1	46.3	—	127.3
Research, development and engineering expense	1.1	11.6	4.9	—	17.6
(Gain) loss on sale of assets, net	0.1	(0.2)	—	—	(0.1)
	79.1	14.5	51.2	—	144.8
Operating profit (loss)	(3.8)	(11.9)	26.1	(0.1)	10.3
Other income (expense)					
Interest income	0.8	0.2	5.3	—	6.3
Interest expense	(23.6)	—	(0.7)	—	(24.3)
Foreign exchange gain (loss), net	(1.3)	—	0.1	—	(1.2)
Equity in earnings of subsidiaries	18.9	—	—	(18.9)	—
Miscellaneous, net	(26.8)	1.7	(1.7)	—	(26.8)
Income (loss) from continuing operations before taxes	(35.8)	(10.0)	29.1	(19.0)	(35.7)
Income tax (benefit) expense	(14.2)	(2.0)	1.3	—	(14.9)
Income (loss) from continuing operations, net of tax	(21.6)	(8.0)	27.8	(19.0)	(20.8)
Income from discontinued operations, net of tax	0.5	—	—	—	0.5
Net income (loss)	(21.1)	(8.0)	27.8	(19.0)	(20.3)
Net income attributable to noncontrolling interests	—	—	0.8	—	0.8
Net income (loss) attributable to Diebold Nixdorf, Incorporated	$(21.1)	$ (8.0)	$ 27.0	$ (19.0)	$ (21.1)
Comprehensive income (loss)	$(2.4)	$ (7.9)	$ 48.9	$ (40.8)	$ (2.2)
Less: comprehensive income (loss) attributable to noncontrolling interests	—	—	0.2	—	0.2
Comprehensive income (loss) attributable to Diebold Nixdorf, Incorporated	$(2.4)	$ (7.9)	$ 48.7	$ (40.8)	$ (2.4)

41

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
Six Months Ended June 30, 2017

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications/ Eliminations	Consolidated
Net sales	$505.0	$ 6.2	$ 1,730.5	$ (5.0)	$ 2,236.7
Cost of sales	398.4	8.6	1,354.4	(5.0)	1,756.4
Gross profit	106.6	(2.4)	376.1	—	480.3
Selling and administrative expense	142.9	5.0	335.9	—	483.8
Research, development and engineering expense	0.9	19.6	59.7	—	80.2
Impairment of assets	3.1	—	—	—	3.1
(Gain) loss on sale of assets, net	—	0.1	(8.2)	—	(8.1)
	146.9	24.7	387.4	—	559.0
Operating profit (loss)	(40.3)	(27.1)	(11.3)	—	(78.7)
Other income (expense)					
Interest income	0.9	0.1	10.5	—	11.5
Interest expense	(58.8)	—	(4.2)	—	(63.0)
Foreign exchange gain (loss), net	2.3	0.1	(10.1)	—	(7.7)
Equity in earnings of subsidiaries	(47.4)	—	—	47.4	—
Miscellaneous, net	0.9	4.0	(0.8)	(0.9)	3.2
Income (loss) from continuing operations before taxes	(142.4)	(22.9)	(15.9)	46.5	(134.7)
Income tax (benefit) expense	(53.0)	(20.3)	14.4	—	(58.9)
Net income (loss)	(89.4)	(2.6)	(30.3)	46.5	(75.8)
Net income attributable to noncontrolling interests	—	—	13.6	—	13.6
Net income (loss) attributable to Diebold Nixdorf, Incorporated	$(89.4)	$ (2.6)	$ (43.9)	$ 46.5	$ (89.4)
Comprehensive income (loss)	$39.6	$ (2.6)	$ 122.7	$ (104.8)	$ 54.9
Less: comprehensive income (loss) attributable to noncontrolling interests	—	—	15.3	—	15.3
Comprehensive income (loss) attributable to Diebold Nixdorf, Incorporated	$39.6	$ (2.6)	$ 107.4	$ (104.8)	$ 39.6

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
Six Months Ended June 30, 2016

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications/ Eliminations	Consolidated
Net sales	$550.8	$ 52.8	$ 537.8	$ (51.8)	$ 1,089.6
Cost of sales	405.0	51.4	390.6	(51.3)	795.7
Gross profit	145.8	1.4	147.2	(0.5)	293.9
Selling and administrative expense	155.9	5.7	91.3	—	252.9
Research, development and engineering expense	2.4	23.7	10.0	—	36.1
(Gain) loss on sale of assets, net	0.2	(0.1)	0.2	—	0.3
	158.5	29.3	101.5	—	289.3
Operating profit (loss)	(12.7)	(27.9)	45.7	(0.5)	4.6
Other income (expense)					
Interest income	1.0	0.4	9.8	—	11.2
Interest expense	(34.9)	(0.1)	(0.8)	—	(35.8)
Foreign exchange gain (loss), net	(3.0)	—	(0.6)	—	(3.6)
Equity in earnings of subsidiaries	34.7	—	—	(34.7)	—
Miscellaneous, net	6.4	3.2	(1.8)	—	7.8
Income (loss) from continuing operations before taxes	(8.5)	(24.4)	52.3	(35.2)	(15.8)
Income tax (benefit) expense	(17.2)	(4.9)	6.4	—	(15.7)
Income (loss) from continuing operations, net of tax	8.7	(19.5)	45.9	(35.2)	(0.1)
Income from discontinued operations, net of tax	138.4	—	9.9	—	148.3
Net income (loss)	147.1	(19.5)	55.8	(35.2)	148.2
Net income attributable to noncontrolling interests	—	—	1.1	—	1.1
Net income (loss) attributable to Diebold Nixdorf, Incorporated	$147.1	$ (19.5)	$ 54.7	$ (35.2)	$ 147.1
Comprehensive income (loss)	$195.7	$ (19.5)	$ 109.6	$ (89.5)	$ 196.3
Less: comprehensive income (loss) attributable to noncontrolling interests	—	—	0.6	—	0.6
Comprehensive income (loss) attributable to Diebold Nixdorf, Incorporated	$195.7	$ (19.5)	$ 109.0	$ (89.5)	$ 195.7

43

Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2017

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications/ Eliminations	Consolidated
Net cash used by operating activities	$(116.1)	$ (13.3)	$ (163.7)	$ 107.3	$ (185.8)
Cash flow from investing activities					
Payments for acquisition	—	—	(2.4)	—	(2.4)
Proceeds from maturities of investments	(0.7)	—	145.7	—	145.0
Payments for purchases of investments	(14.0)	—	(159.7)	—	(173.7)
Proceeds from sale of assets	—	—	11.4	—	11.4
Capital expenditures	(2.9)	—	(23.5)	—	(26.4)
Increase in certain other assets	(4.9)	3.9	(16.6)	—	(17.6)
Capital contributions and loans paid	(252.6)	—	—	252.6	—
Proceeds from intercompany loans	171.9	—	—	(171.9)	—
Net cash (used) provided by investing activities	(103.2)	3.9	(45.1)	80.7	(63.7)
Cash flow from financing activities					
Dividends paid	(15.3)	—	—	—	(15.3)
Debt issuance costs	(1.1)	—	—	—	(1.1)
Revolving credit facility borrowings (repayments), net	119.1	—	—	—	119.1
Other debt borrowings	323.3	—	154.3	(107.3)	370.3
Other debt repayments	(334.4)	(0.8)	(81.3)	—	(416.5)
Distributions to noncontrolling interest holders	—	—	(16.3)	—	(16.3)
Issuance of common shares	0.3	—	—	—	0.3
Repurchase of common shares	(4.5)	—	—	—	(4.5)
Capital contributions received and loans incurred	—	37.4	215.2	(252.6)	—
Payments on intercompany loans	—	(27.3)	(144.6)	171.9	—
Net cash provided (used) by financing activities	87.4	9.3	127.3	(188.0)	36.0
Effect of exchange rate changes on cash and cash equivalents	—	—	12.1	—	12.1
Increase (decrease) in cash and cash equivalents	(131.9)	(0.1)	(69.4)	—	(201.4)
Cash and cash equivalents at the beginning of the period	138.4	2.3	512.0	—	652.7
Cash and cash equivalents at the end of the period	$6.5	$ 2.2	$ 442.6	$ —	$ 451.3

Table of Contents
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
FORM 10-Q as of June 30, 2017
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)
(in millions, except per share amounts)

Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2016

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications/ Eliminations	Consolidated
Net cash used by operating activities	$(152.1)	$ (27.6)	$ (26.3)	$ —	$ (206.0)
Cash flow from investing activities					
Proceeds from maturities of investments	—	—	107.1	—	107.1
Proceeds from sale of foreign currency option and forward contracts, net	42.6	—	—	—	42.6
Payments for purchases of investments	—	—	(85.9)	—	(85.9)
Proceeds from sale of assets	—	—	0.4	—	0.4
Capital expenditures	(3.1)	(0.4)	(7.8)	—	(11.3)
Restricted cash, net	(1,768.1)	—	—	—	(1,768.1)
Increase in certain other assets	(13.2)	(3.0)	6.9	—	(9.3)
Capital contributions and loans paid	(90.1)	—	—	90.1	—
Proceeds from intercompany loans	74.7	—	—	(74.7)	—
Net cash (used) provided by investing activities - continuing operations	(1,757.2)	(3.4)	20.7	15.4	(1,724.5)
Net cash provided by investing activities - discontinued operations	365.1	—	—	—	365.1
Net cash (used) provided by investing activities	(1,392.1)	(3.4)	20.7	15.4	(1,359.4)
Cash flow from financing activities					
Dividends paid	(38.0)	—	—	—	(38.0)
Debt issuance costs	(11.2)	—	—	—	(11.2)
Restricted cash, net	(54.9)	—	—	—	(54.9)
Revolving credit facility borrowings (repayments), net	142.0	—	—	—	142.0
Other debt borrowings	1,781.1	—	25.9	—	1,807.0
Other debt repayments	(230.8)	(0.5)	(24.9)	—	(256.2)
Distributions to noncontrolling interest holders	—	—	(2.0)	—	(2.0)
Repurchase of common shares	(2.0)	—	—	—	(2.0)
Capital contributions received and loans incurred	—	77.8	12.3	(90.1)	—
Payments on intercompany loans	—	(51.5)	(23.2)	74.7	—
Net cash provided (used) by financing activities	1,586.2	25.8	(11.9)	(15.4)	1,584.7
Effect of exchange rate changes on cash and cash equivalents	—	—	4.1	—	4.1
(Decrease) increase in cash and cash equivalents	42.0	(5.2)	(13.4)	—	23.4
Add: Cash overdraft included in assets held for sale at beginning of period	(1.5)	—	—	—	(1.5)
Cash and cash equivalents at the beginning of the period	20.3	7.9	285.4	—	313.6
Cash and cash equivalents at the end of the period	$60.8	$ 2.7	$ 272.0	$ —	$ 335.5

45

Management's Discussion and Analysis of
Financial Condition and Results of Operations as of June 30, 2017
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
(unaudited)
(in millions, except per share amounts)

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Significant Highlights

During the second quarter of 2017, the following significant items occurred:

- Announced product readiness to support the Microsoft® Windows 10 operating system. The move to the latest operating system and application platform is an opportunity for financial institutions to benefit from greater security against modern cyber threats, meet regulatory compliance standards, and enhance the consumer experience with future-looking services and transactions
- Announced Strategic Partnership with Kony to white label mobile application solutions for financial institutions and retailers
- Unveiled new ATM concept, Essence, with a sleeker, more modern design and advanced user interface
- Demonstrated two new kiosk solutions at the National Restaurant Association show. The free-standing Passport kiosk has a large touchscreen and an integrated EFT device to process card payments. The miniaturized footprint of the K-One Kiosk solution can be easily customized and processes cashless payments via card or near field communication.
- Awarded the prestigious Red Dot Product Design Award for product design quality and the intuitive, fast and convenient operation of two self-checkout systems
- Announced that all regulatory approvals have been received for closure of a redundant distribution facility in the Netherlands
- Launched a fully integrated brand and direct presence in the U.K. and Ireland following CMA approval of the sale of legacy Diebold business in those countries to Cennox Group

Overview

Management’s discussion and analysis of financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and accompanying notes that appear within this quarterly report on Form 10-Q.

Introduction
The Company provides connected commerce services, software and technology to enable millions of transactions each day. The Company’s approximately 24,000 employees design and deliver convenient, “always on” and highly secure solutions that bridge the physical and the digital worlds of transactions. Customers of the Company include nearly all of the world’s top 100 financial institutions and a majority of the top 25 global retailers.

Strategy
The Company’s connected commerce strategy seeks to continually enhance the customer experience at banking and retail locations by integrating services, software and systems. This requires ongoing investment and development of its industry-leading field services organization as well as the development and integration of innovative technology including cloud computing technology, sensors and connectivity to the Internet of Things, as well as open and agile software. The Company will continuously refine its research and development (R&D) priorities in support of a better transaction experience for consumers.

DN2020

Commensurate with its strategy, the Company is executing a multi-year integration and transformation program, called DN2020, which aligns employee activities with the Company's goal of delivering operating profit savings of $240 by the year 2020. By executing the program, the Company expects to deliver greater innovation for customers, career enrichment opportunities for employees, and enhanced value for shareholders. DN2020 consists of six inter-related elements:

Advancing the Company's Connected Commerce Strategy - the Company will continue to develop innovative technology and partner with external companies to deliver highly secure customer-centric solutions. This includes the application of cloud computing technology, mobile technology, sensors and the Internet of Things, as well as open and agile software delivered “as a service”.

Pursuing Finance Excellence - the Company will continuously improve its financial reporting, analysis and forecasting by emulating best practices from similar business entities. The Company's initiatives are designed to improve forecasting accuracy, optimize working capital management and pursue prudent capital allocation strategies which enhance

shareholder value. At present, the Company's capital allocation priorities are to reduce its leverage and accelerate the realization of its synergies.

Executing the Company's Integration Plans - the Company is executing a detailed integration plan, which consists of 18 different work streams designed to harmonize legacy business practices and build upon the best practices from each legacy company. These integration plans will leverage the Company's global scale, reduce overlap and improve the profitability of the Company. Key areas of cost synergies include:

- Realizing volume discounts on direct materials
- Harmonizing the solutions set
- Increasing utilization rates of the service technicians
- Rationalizing facilities in the regions
- Streamlining corporate and general and administrative functions
- Harmonizing back office solutions.

Pursuing Operational Excellence - the Company will implement best practices to improve operational efficiency and increase customer satisfaction. Robust reporting and tracking tools will be used to achieve best-in-class service and manufacturing levels.

Retaining and Attracting Industry-Leading Talent - the Company aims to become an employer of choice in the connected commerce space. We intend to build a culture characterized by innovation, customer collaboration, accountability and strong ethical behavior. The Company will encourage experiential learning and will invest in training resources for the purposes of developing a vibrant workforce and expanding its leadership in connected commerce. Performance-based rewards and recognition policies are aligned with Company objectives and growth opportunities.

Pursuing Sales Excellence - a capable and progressive sales organization is vital to the future growth of the Company. The Company will invest in the sales organization to ensure it has the skills, resources, and processes needed to support the growth of each LOB. At the country level, we will optimize sales staffing and invest in partner programs commensurate with overall market demand. As a result of these investments, the Company expects to increase its pipeline of opportunities and increase its win rate over time.

The Company expects to make investments to restructure the workforce, combine and optimize legacy business systems, streamline legal entities and consolidate real estate holdings of approximately $240 in restructuring and integration related costs.

Segments

In August 2016, in connection with the business combination agreement related to the Acquisition, the Company announced the realignment of its lines of business to drive greater efficiency and further improve customer service. As a result of the Acquisition, the Company has reorganized the management team reporting to the CODM and evaluated and assessed the LOB reporting structure. Effective January 1, 2017, the Company's reportable operating segments are based on the following three LOBs: Services, Software and Systems. As a result, the Company reclassified comparative periods for consistency. The CODM makes decisions, allocates resources and assesses performance by the LOBs.

Services LOB

With approximately 15,000 highly-trained service employees and a global delivery network, Diebold Nixdorf is the global leader in servicing distributed IT assets for banking and retail customers. These services enable customers to meet the growing demand for transaction availability at ATMs, POS, self-checkout systems (SCO) and other distributed IT assets in a cost-effective manner. Diebold Nixdorf’s global customer care center offers round-the-clock availability and is proficient in supporting customers in more than 25 languages. The global service supply chain optimizes the process for obtaining replacement parts, making repairs, and implementing new features and functionalities. The Company also possesses deep experience in installing, maintaining and upgrading customer touchpoints manufactured by other vendors, also known as multi-vendor support.

Product-related services provided by the Company include proactive monitoring and rapid resolution of incidents through remote service capabilities or an on-site visit. First and second line maintenance, preventive maintenance and on-demand services keep the distributed assets of the Company's customers up and running through a standardized incident

47

management process. Managed services and outsourcing consists of the end-to-end business processes, solution management, upgrades and transaction processing. The majority of these contracts include remote monitoring and establish a service level threshold for uptime, incident response times and other key performance metrics. Diebold Nixdorf provides managed solutions in order for banks and retailers to realize operational efficiencies and gain access to industry-leading innovations.

The Company also provides a full array of cash management services, which optimizes the availability and cost of physical currency across the enterprise through efficient forecasting, inventory and replenishment processes. These services mitigate customer risks by relying on proven monitoring and reporting processes, secure tools and partnerships with larger cash-in-transit companies.

Under DN2020, the Services LOB has a dual mandate of delivering moderate revenue growth and increased efficiency. We expect to generate modest top-line growth by increasing the Company's service attach rate on the unserved Diebold Nixdorf ATMs, POS and self-checkout systems in use, up-selling current customers on managed services and increasing billed work revenue by leveraging best practices across different countries and regions. The Company acquired a design company in Germany which advises and supports innovative solutions for branch modernization. The Services line will achieve higher levels of efficiency by standardizing the service offerings, service tools and processes, increasing the market acceptance of remote monitoring and resolution, and streamlining global delivery centers and stocking facilities.

Software LOB
The Company provides front-end applications for consumer connection points and back-end platforms that manage channel transactions, operations and integration. The Company’s hardware-agnostic software applications facilitate millions of transactions via ATMs, POS terminals, kiosks, and a host of other self-service devices. Diebold Nixdorf’s platform software is installed within bank and retail data centers to facilitate omni-channel transactions, endpoint monitoring, remote asset management, marketing, merchandise management and analytics. These offerings include highly configurable, application program interface enabled software that automates and migrates legacy banking and retail transactions across channels. As a result of these innovations, the Company's customers are transforming the shopping and banking experience to be more intelligent and highly personalized. The Company's software is supported by a global network of more than 1,600 professional service employees who tailor the software to meet customer needs.

The Company’s multi-vendor software solutions are designed to meet the evolving demands of a customer’s self-service and banking network and address these four primary categories: physical and digital connectivity; personal consumer experience; operations and management; and security and fraud control. The Company's self-service and branch automation solutions address the full banking ecosystem from transactional processes to front end user experience with the consumer.

For the retail business, the Company provides a comprehensive, modular solution suite called TP.net, which is capable of enabling the most advanced omni-channel retail use cases. With TP.net, the Company offers a full software platform to improve end-to-end store processes in support of omni-channel retailing. This includes click & collect, reserve & collect, in-store ordering and return to store processes across the retailers’ physical and digital sales channels. TP.net and the other components of the TP Application Suite are designed on a modular, Application Programming Interface (API) enabled architecture and can be integrated fully or partially into existing infrastructures.

With the TP platform, data from a number of sources such as ERP, POS, store systems and customer relationship management systems (CRM), may be integrated across all customer connection points to create differentiated omni-channel experiences.

An important enabler of the Company's software business is the professional services team which provides systems integration, customization, consulting and project management. The Company's advisory services team collaborates with its customers to help define optimal user experience, improve business processes, refine existing staffing models and deploy technology to meet branch automation objectives.

In May 2017, the Company announced a strategic partnership with Kony to offer white label mobile application solutions for financial institutions and retailers. The Company's next generation mobile application suite, DN Mobile, will enable a unified and highly personalized transaction experience by leveraging cross-platform data and integrating multiple channels.

Management's Discussion and Analysis of
Financial Condition and Results of Operations as of June 30, 2017
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
(unaudited)
(in millions, except per share amounts)

The Company views its software as a key differentiator in providing Connected Commerce solutions to customers and is a source of competitive advantage. The Company's world-class software portfolio is well positioned to capture gains from the persistent market demand for advanced cash automation and optimization solutions. Meanwhile, the industry trends of branch transformation, store transformation, and omnichannel solutions are well aligned to the Company's core competency of digital automation and are yielding new growth and differentiation opportunities for the Company's business.

Systems LOB
The Company is a global leader in providing systems to banks, retailers and other customers. Through collaboration with its customers, engineering excellence and an efficient supply chain, the Company delivers industry-leading customer touchpoints which process both physical and digital transactions. The Systems LOB seeks to optimize the total cost of ownership by maximizing transaction availability and creating a positive impression on consumers.

The systems portfolio for banking customers consists of cash recyclers and dispensers, intelligent deposit terminals, teller automation tools, and physical security devices. Recent innovation concepts include the miniaturized Extreme ATM and Essence. Extreme ATM is the smallest ATM ever developed at less than 10” wide, which allows customers to stage transactions on mobile phones and complete transactions using Bluetooth® devices or near-field communication. Essence is a highly-secure and miniaturized ATM that features a sleek, antimicrobial glass touchscreen display and enhanced user interface modeled after today’s smartphones and tablet computers.

For retail customers, the checkout portfolio includes modular, integrated and mobile POS systems that meet evolving automation and omni-channel requirements of consumers. Supplementing the POS system is a broad range of peripherals, including printers, scales and mobile scanners, as well as the cash management portfolio which offers a wide range of banknote and coin processing systems. Also in the portfolio, the Company provides self-checkout terminals and ordering kiosks which facilitate an efficient and user-friendly purchasing experience. The Company’s hybrid product line can alternate from attended operation to self-checkout by the cashier with the press of a button as traffic conditions warrant throughout the business day.

DN2020 empowers the Systems LOB to align the portfolio with market demand, deliver innovations and increase operating efficiencies on innovation and efficiency. With respect to innovation, the Company will continue to spend significant R&D dollars on the latest technology. Current areas of innovations include;
- mobile technologies to support advanced connectivity including contactless transactions;
- new sensors and the Internet of Things to support real-time monitoring activities;
- miniaturization technologies needed for branch/store transformation; and
- advanced security capabilities including anti-skimming card readers and biometric authentication.

With respect to operating efficiencies, the Systems LOB has initiated the following activities:
- leveraging the purchasing power of the Company through a new procurement partnership program;
- streamlining the product portfolio - including terminals, core technologies and components;
- developing a partner ecosystem to complement the Company's core technologies;
- consolidating manufacturing capacity to optimize fixed costs; and
- re-allocating R&D spend to areas of innovation.

Leveraging the broad portfolio from each LOB, the Company allows customers the flexibility to select the combination of services, software and systems that drives the most value to their business. For example, the Company offers end-to-end branch and store automation solutions that consist of the complete value chain of consult, design, build and operate. Branch and store automation helps financial institutions grow revenue, reduce costs, and increase convenience and security for the banks' customers by migrating routine transactions, typically done inside the branch or store, to lower-cost automated channels. The Company's advisory services team collaborates with its clients to define the ideal customer experience, modify processes, refine existing staffing models and deploy technologies that meet business objectives.

Table of Contents

Management's Discussion and Analysis of
Financial Condition and Results of Operations as of June 30, 2017
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
(unaudited)
(in millions, except per share amounts)

Business Drivers

The business drivers of the Company's future performance include, but are not limited to:

- demand for services on distributed IT assets such as ATMs, POS and SCO, including managed services and professional services;
- timing of system upgrades and/or replacement cycles for ATMs, POS and SCO;
- demand for security products and services for the financial, retail and commercial sectors;
- integration of legacy salesforce, business processes, procurement, and internal IT systems; and
- realization of cost synergies, which leverage the Company's global scale, reduce overlap and improve operating efficiencies.

Results of Operations

The following discussion of the Company’s financial condition and results of operations provides information that will assist in understanding the financial statements and the changes in certain key items in those financial statements. The following discussion should be read in conjunction with the condensed consolidated financial statements and the accompanying notes that appear elsewhere in this quarterly report on Form 10-Q.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2017		2016		2017		2016	
	Amount	% of Net sales	Amount	% of Net sales	Amount	% of Net sales	Amount	% of Net sales
Net sales	$1,133.9	100.0	$580.0	100.0	$2,236.7	100.0	$1,089.6	100.0
Gross profit	$237.8	21.0	$155.1	26.7	$480.3	21.5	$293.9	27.0
Operating expenses	$267.9	23.6	$144.8	25.0	$559.0	25.0	$289.3	26.6
Operating profit (loss)	$(30.1)	(2.7)	$10.3	1.8	$(78.7)	(3.5)	$4.6	0.4
Net income (loss)[(1)]	$(23.6)	(2.1)	$(20.3)	(3.5)	$(75.8)	(3.4)	$148.2	13.6
Net income attributable to noncontrolling interests	$7.0	0.6	$0.8	0.1	$13.6	0.6	$1.1	0.1
Net income (loss) attributable to Diebold Nixdorf, Incorporated	$(30.6)	(2.7)	$(21.1)	(3.6)	$(89.4)	(4.0)	$147.1	13.5

[(1)] Net income (loss) for the the three and six months ended June 30, 2016 includes income from discontinued operations, net of tax of $0.5 and $148.3, respectively.

50

Management's Discussion and Analysis of
Financial Condition and Results of Operations as of June 30, 2017
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
(unaudited)
(in millions, except per share amounts)

Net Sales

The following table represents information regarding the Company's net sales:

	Three Months Ended June 30,				Percent of Total Net Sales for the Three Months Ended June 30,	
	2017	2016	% Change	% Change in CC [1]	2017	2016
Segments						
Services	$580.2	$329.6	76.0	75.4	51.2	56.8
Software	107.7	30.6	252.0	248.5	9.5	5.3
Systems	446.0	219.8	102.9	102.9	39.3	37.9
Net Sales	$1,133.9	$580.0	95.5	95.0	100.0	100.0
Geographic Regions						
Americas	$390.3	$388.0	0.6	(0.2)	34.4	66.9
EMEA	587.5	106.5	451.6	457.9	51.8	18.4
AP	156.1	85.5	82.6	83.4	13.8	14.7
Net Sales	$1,133.9	$580.0	95.5	95.0	100.0	100.0
Solutions						
Banking	$843.9	$564.3	49.5	49.3	74.4	97.3
Retail	290.0	15.7	N/M	N/M	25.6	2.7
Net Sales	$1,133.9	$580.0	95.5	95.0	100.0	100.0

[1] The Company calculates constant currency by translating the prior-year period results at the current year exchange rate.
N/M = Not Meaningful

Three months ended June 30, 2017 compared with three months ended June 30, 2016

Net sales increased $553.9 or 95.5 percent including a net favorable currency impact of $1.5. The Acquisition accounted for $635.8 in net sales. In addition, net sales was adversely impacted $10.3 related to deferred revenue purchase accounting adjustments. The amounts attributable to the Acquisition are impacted by the alignment and integration of customer portfolios, solution offerings and operations between the legacy companies, which may result in unfavorable comparisons to prior year. The following results include the impact of foreign currency and purchase accounting adjustments:

Segments

- Services net sales increased $250.6, with $266.2 attributable to the Acquisition and included an unfavorable impact of $5.1 related to purchase accounting adjustments. Excluding the impact of the Acquisition, services sales decreased $15.6 primarily due to the run-off of multi-vendor service contracts in the Americas, as well as, lower installation revenue tied to decreased Systems volumes in the Americas and Europe, Middle East, and Africa (EMEA).

- Software net sales increased $77.1, with $84.5 attributable to the Acquisition and included an unfavorable impact of $2.8 related to purchase accounting adjustments. Excluding the impact of the Acquisition, software sales decreased $7.4 primarily associated with lower Systems volume in the Americas.

- Systems net sales increased $226.2, with $285.1 attributable to the Acquisition and included an unfavorable impact of $2.4 related to purchase accounting adjustments. Excluding the impact of the Acquisition, systems sales decreased $58.9 primarily attributable to banking solutions activity across the Company. EMEA has been unfavorably impacted by the alignment of customer portfolio and solution offerings between the legacy companies which may be reflected as part of the sales attributable to the Acquisition. In the Americas, the volume declines were due to non-recurring projects and in Asia Pacific (AP) mainly due to structural changes in the market.

Management's Discussion and Analysis of
Financial Condition and Results of Operations as of June 30, 2017
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
(unaudited)
(in millions, except per share amounts)

A more detailed discussion of segment revenue is included under "Segment Revenue and Operating Profit Summary" below.

Geographic Regions

- Americas net sales increased $2.3 or 0.6 percent, with $39.3 attributable to the Acquisition. Excluding the impact of the Acquisition, net sales decreased in NA related to lower multi-vendor service contract revenue. In addition, there were fewer large systems projects across NA and Latin America (LA), that were partially offset by higher systems volume in Brazil.

- EMEA net sales increased $481.0 or 451.6 percent, with $513.9 attributable to the Acquisition. Excluding the impact of the Acquisition, net sales has been unfavorably impacted as a result of the alignment of customer portfolio and solution offerings between the legacy companies which may be reflected as part of the sales attributable to the Acquisition. Additionally, there were two large projects in Switzerland in the prior year period that did not recur.

- AP net sales increased $70.6 or 82.6 percent, with $82.6 attributable to the Acquisition. Excluding the impact of the Acquisition, net sales decreased primarily due to lower systems volume due to the market structure change in China. Also contributing to the decline, the sequencing of large system deployments in the current year is expected to be more weighted towards the second half of the year.

Solutions

- Banking net sales increased $279.6 or 49.5 percent, with $352.3 attributable to the Acquisition and included an unfavorable impact of $6.2 related to purchase accounting adjustments. Excluding the impact of the Acquisition, net sales decreased primarily due to lower systems volumes and the associated installation activity across the Company, with lower large project activity impacting all regions. In addition, banking services decreased primarily due to the run-off of multi-vendor service contracts in the Americas.

- Retail net sales increased $274.3, with $283.5 attributable to the Acquisition and included an unfavorable impact of $4.1 related to purchase accounting adjustments. Excluding the impact of the Acquisition, net sales decreased primarily due to lower demand in Brazil for voting solutions.

	Six Months Ended June 30,				Percent of Total Net Sales for the Six Months Ended June 30,	
	2017	2016	% Change	% Change in CC [(1)]	2017	2016
Segments						
Services	$1,153.4	$646.5	78.4	77.0	51.6	59.3
Software	218.1	53.0	311.5	303.9	9.8	4.9
Systems	865.2	390.1	121.8	120.7	38.6	35.8
Net Sales	$2,236.7	$1,089.6	105.3	103.8	100.0	100.0

Geographic Regions						
Americas	$786.5	$731.5	7.5	5.8	35.2	67.1
EMEA	1,149.5	192.1	498.4	504.7	51.4	17.6
AP	300.7	166.0	81.1	83.2	13.4	15.3
Net Sales	$2,236.7	$1,089.6	105.3	103.8	100.0	100.0
Solutions						
Banking	$1,663.5	$1,071.9	55.2	54.2	74.4	98.4
Retail	573.2	17.7	N/M	N/M	25.6	1.6
Net Sales	$2,236.7	$1,089.6	105.3	103.8	100.0	100.0

(1) The Company calculates constant currency by translating the prior-year period results at the current year exchange rate.

N/M = Not Meaningful

Management's Discussion and Analysis of
Financial Condition and Results of Operations as of June 30, 2017
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
(unaudited)
(in millions, except per share amounts)

Six months ended June 30, 2017 compared with six months ended June 30, 2016

Net sales increased $1,147.1 or 105.3 percent including a net favorable currency impact of $7.9 primarily related to the Brazil real, which was partially offset by smaller unfavorable currency movements in Asia and Europe. The Acquisition accounted for $1,259.4 in net sales. In addition, net sales was adversely impacted $20.7 related to deferred revenue purchase accounting adjustments. The amounts attributable to the Acquisition are impacted by the alignment and integration of customer portfolios, solution offerings and operations between the legacy companies, which may result in unfavorable comparisons to prior year. The following results include the impact of foreign currency and purchase accounting adjustments:

Segments

- Services net sales increased $506.9, with $529.1 attributable to the Acquisition and included an unfavorable impact of $10.3 related to purchase accounting adjustments. Excluding the impact of the Acquisition, services sales decreased $22.2 primarily due to the run-off of multi-vendor service contracts in the Americas, as well as lower installation revenue tied to decreased Systems volumes in the Americas and EMEA.

- Software net sales increased $165.1, with $168.6 attributable to the Acquisition and included an unfavorable impact of $2.8 related to purchase accounting adjustments. Excluding the impact of the Acquisition, software sales were relatively flat.

- Systems net sales increased $475.1, with $561.7 attributable to the Acquisition and included an unfavorable impact of $7.6 related to purchase accounting adjustments. Excluding the impact of the Acquisition, systems sales decreased $86.6 primarily attributable to banking solutions activity across the Company. EMEA has been unfavorably impacted by the alignment of customer portfolio and solution offerings between the legacy companies which may be reflected as part of the sales attributable to the Acquisition. In the Americas, the volume declines were due to non-recurring projects and in AP mainly due to structural changes in the market.

A more detailed discussion of segment revenue is included under "Segment Revenue and Operating Profit Summary" below.

Geographic Regions

- Americas net sales increased $55.0 or 7.5 percent, with $92.2 attributable to the Acquisition. Excluding the impact of the Acquisition, net sales decreased in NA related to lower multi-vendor service contract revenue. In addition, there were fewer large systems projects across NA and LA, that were partially offset by higher systems volume in Brazil.

- EMEA net sales increased $957.4 or 498.4 percent, with $1,009.1 attributable to the Acquisition. Excluding the impact of the Acquisition, net sales has been unfavorably impacted as a result of the alignment of customer portfolio and solution offerings between the legacy companies which may be reflected as part of the sales attributable to the Acquisition. Additionally, there were two large projects in Switzerland in the prior-year period that did not recur.

- AP net sales increased $134.7 or 81.1 percent, with $158.1 attributable to the Acquisition. Excluding the impact of the Acquisition, net sales decreased primarily due to lower systems volume due to the market structure change in China.

Also contributing to the decline, the sequencing of large system deployments in the current year is more weighted towards the second half of the year.

Solutions

- Banking net sales increased $591.6 or 55.2 percent, with $699.0 attributable to the Acquisition and included an unfavorable impact of $12.4 related to purchase accounting adjustments. Excluding the impact of the Acquisition, net sales decreased primarily due to lower systems volumes and the associated installation activity across the Company, with lower large project activity impacting all regions. In addition, banking services decreased primarily due to the run-off of multi-vendor service contracts in the Americas.

Retail net sales increased $555.5, with $560.4 attributable to the Acquisition and included an unfavorable impact of $8.3 related to purchase accounting adjustments. Excluding the impact of the Acquisition, net sales decreased primarily due to lower demand in Brazil in Brazil for voting solutions.

Gross Profit

The following table represents information regarding the Company's gross profit:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	% Change	2017	2016	% Change
Gross profit - services and software	$151.5	$123.4	22.8	$329.6	$231.8	42.2
Gross profit - systems	86.3	31.7	N/M	150.7	62.1	142.7
Total gross profit	$237.8	$155.1	53.3	$480.3	$293.9	63.4
Gross margin - services and software	22.0 %	34.3 %		24.0 %	33.1 %	
Gross margin - systems	19.3 %	14.4 %		17.4 %	15.9 %	
Total gross margin	21.0 %	26.7 %		21.5 %	27.0 %	

Services and software gross margin was lower in the three and six months ended June 30, 2017 due in part to the impact of the Acquisition, which utilizes a higher third-party labor model to support its service and software revenue stream, resulting in a dilutive effect on margins. Gross margin in both the three and six months ended June 30, 2017 was also impacted by lower contract maintenance revenue in Americas combined with increased labor investments. The labor investments are a result of higher turnover rates of technicians and the associated training to support additional product lines. In the six months ended June 30, 2017, EMEA gross margin was unfavorably impacted by large systems projects in the prior year that carried a higher margin. In the three and six months ended June 30, 2017, services and software gross profit included non-routine charges of $20.6 and $26.0, respectively, primarily related to purchase accounting adjustments associated with the Acquisition. Services and software gross profit also included restructuring charges of $12.6 and $15.6 in the three and six months ended June 30, 2017, respectively. In the three and six months ended June 30, 2016, restructuring charges were $1.4 and $1.7, respectively.

Systems gross margin in the three months ended June 30, 2017 increased primarily as a result of incremental gross profit associated with the Acquisition, which has a larger mix of higher margin business across both banking and retail solutions, and included purchase accounting adjustments of $2.8. In the three month time period, systems gross margin was unfavorably impacted by EMEA due to large projects in the prior year period that carried a higher margin as well as unfavorable country revenue mix. Systems gross margin in the six months ended June 30, 2017 increased primarily as a result of incremental gross profit associated with the Acquisition and included purchase accounting adjustments of $20.8. In the six months ended, systems gross margin was adversely impacted by the previously mentioned non-recurring projects in EMEA in addition to lower volume of higher margin sales in LA in 2017. In the three and six months ended June 30, 2017, systems gross profit included non-routine charges of $16.1 and $22.0, respectively, primarily related to purchase accounting adjustments associated with the Acquisition. Systems gross profit also included restructuring charges of $0.9 and $1.6 in the three and six months ended June 30, 2017, respectively.

Operating Expenses

The following table represents information regarding the Company's operating expenses:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	% Change	2017	2016	% Change
Selling and administrative expense	$236.8	$127.3	86.0	$483.8	$252.9	91.3
Research, development and engineering expense	38.8	17.6	120.5	80.2	36.1	122.2
Impairment of assets	—	—	—	3.1	—	N/M
(Gain) loss on sale of assets, net	(7.7)	(0.1)	N/M	(8.1)	0.3	N/M
Total operating expenses	$267.9	$144.8	85.0	$559.0	$289.3	93.2

Excluding the impact of incremental expense associated with the Acquisition of $109.6 and $231.0 in the three and six months ended June 30, 2017, respectively, selling and administrative expense were relatively flat compared to the same periods of 2016.

Non-routine expenses in selling and administrative expense of $39.8 and $17.9 were included in the three months ended June 30, 2017 and 2016, respectively. The primary components of the non-routine expenses pertained to acquisition and divestiture costs totaling $20.1 and purchase accounting adjustments of $20.2 related to intangible asset amortization. Selling and administrative expense included restructuring charges of $2.5 and $3.7 in the three months ended June 30, 2017 and 2016, respectively. Non-routine expenses in selling and administrative expense of $88.9 and $31.7 were included in the six months ended June 30, 2017 and 2016, respectively. The primary components of the non-routine expenses pertained to acquisition and divestiture costs totaling $50.2 and purchase accounting adjustments of $39.2 related to intangible asset amortization. Selling and administrative expense included restructuring charges of $10.9 and $3.6 in the six months ended June 30, 2017 and 2016, respectively.

Research, development and engineering expense as a percent of net sales was 3.4 and 3.6 percent in the three and six months ended June 30, 2017, respectively compared with 3.0 and 3.3 percent in the three and six months ended June 30, 2016. Excluding the impact of the Acquisition, research and development expense in both the three and six months ended June 30, 2017 decreased primarily as a result of the benefits of streamlining the cost structure as part of the Company's integration activities. Research, development and engineering expense included non-routine reversals of $(0.2) and restructuring reversals of $(1.6) in the three months ended June 30, 2017. Research, development and engineering expense in the six months ended June 30, 2017 included non-routine charges of $0.3 and restructuring reversals of $(0.7). The three and six months ended June 30, 2016, had no non-routine charges and $0.1 in restructuring charges.

In the six months ended June 30, 2017, the Company recorded impairments totaling $3.1 related to information technology transformation and integration activities.

In the three and six months ended June 30, 2017, the gain on sale of assets was primarily related to the Company's divestiture of the legacy business in the United Kingdom and the electronic security business located in Mexico.

Operating expense as a percent of net sales in the three months ended June 30, 2017 was 23.6 percent compared with 24.9 percent in the three months ended June 30, 2016. Operating expense as a percent of net sales in the six months ended June 30, 2017 was 25.0 percent compared with 26.6 percent in the six months ended June 30, 2016.

Operating Profit

The following table represents information regarding the Company's operating profit:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	% Change	2017	2016	% Change
Operating profit (loss)	$(30.1)	$10.3	N/M	$(78.7)	$4.6	N/M
Operating profit margin	(2.7)%	1.8%		(3.5)%	0.4%	

The decrease in operating profit in the three and six months ended June 30, 2017 compared to the same periods in 2016 was primarily due to higher operating expenses, which included amortization of acquired intangible assets, restructuring and non-routine costs related to acquisitions and divestitures.

Management's Discussion and Analysis of
Financial Condition and Results of Operations as of June 30, 2017
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
(unaudited)
(in millions, except per share amounts)

Other Income (Expense)

The following table represents information regarding the Company's other income (expense), net:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	% Change	2017	2016	% Change
Interest income	$5.1	$6.3	(19.0)	$11.5	$11.2	2.7
Interest expense	(32.2)	(24.3)	(32.5)	(63.0)	(35.8)	(76.0)
Foreign exchange gain (loss), net	(4.6)	(1.2)	—	(7.7)	(3.6)	(113.9)
Miscellaneous, net	1.9	(26.8)	N/M	3.2	7.8	(59.0)
Other income (expense), net	$(29.8)	$(46.0)	35.2	$(56.0)	$(20.4)	(174.5)

The decrease in interest income in the three months ended June 30, 2017, compared with the same period in 2016, was as a result of lower interest income in Brazil. In addition, the Company's cash balances in the prior year three month time period included funds held for the purchase of Wincor Nixdorf which generated additional interest income. Interest expense was higher in both the three and six months ended compared to the same prior-year periods associated with the financing required for the Acquisition. Foreign exchange gain (loss), net in the three and six months ended was unfavorable as a result of the impact of the Acquisition. Miscellaneous, net in the three months ended June 30, 2016 included a mark-to-market loss of $22.7 associated with the Company’s foreign currency forward contract entered into on April 29, 2016 and $6.3 in financing fees related to the Company’s bridge financing required for the debt undertaken for the Acquisition. In addition, the six months ended June 30, 2016 included a mark-to-market gain of $35.6 associated with the Company's foreign currency option contracts entered into on November 23, 2015.

Income (Loss) From Continuing Operations, Net of Tax

The following table represents information regarding the Company's income (loss) from continuing operations, net of tax:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	% Change	2017	2016	% Change
Income (loss) from continuing operations, net of tax	$(23.6)	$(20.8)	13.5	$(75.8)	$(0.1)	N/M
Percent of net sales	(2.1)%	(3.6)%		(3.4)%	— %	
Effective tax rate	60.6 %	41.7 %		43.7 %	99.4 %	

Income (loss) from continuing operations, net of tax was $(23.6) and $(20.8) for the three months ended June 30, 2017 and 2016, respectively. The decrease is primarily due to the reasons described above and the change in income tax (benefit) expense.

The tax rate on the loss for the three and six months ended June 30, 2017 increased due to the jurisdictional income (loss) mix and varying statutory rates in the Company’s global footprint. These increases to the overall tax rate for these periods was offset in part by additional discrete expense items recognized in the quarter related to uncertain tax positions.

The tax rate on the loss for the three and six months ended June 30, 2016 was increased due to the recognition of favorable discrete items, including the release of an uncertain tax position and discrete expenses related to the Acquisition. The tax rate for these periods was also increased by a reduction in the deferred tax liability associated with the Company’s undistributed foreign subsidiary earnings. The foreign currency hedges related to the Acquisition generated a loss of the three months ended June 30, 2016 and a net gain for six months ended June 30, 2016. The non-taxable treatment of these hedges had the impact of decreasing the rate in the three months ended June 30, 2016 and increasing the rate for the six months ended June 30, 2016.

Income (Loss) From Discontinued Operations, Net of Tax

Income from discontinued operations, net of tax was $0.5 for the three months ended June 30, 2016. The closing of the NA electronic security divestiture occurred on February 1, 2016 and the Company recorded a gain (loss) on sale, net of tax, of $149.6 for the six months ended June 30, 2016. Additionally, the income from discontinued operations, net of tax includes a net loss of $1.3 as a result of the operations included through February 1, 2016.

Net Income (Loss)

Net income (loss) decreased $3.3 to a net loss of $(23.6) for the three months ended June 30, 2017, compared to income of $20.3 for the same period in 2016 due to the reasons described above.

Segment Revenue and Operating Profit Summary

The following tables represent information regarding the Company's revenue and operating profit by reporting segment:

	Three Months Ended June 30,			Six Months Ended June 30,		
Services:	2017	2016	% Change	2017	2016	% Change
Revenue	$580.2	$329.6	76.0	$1,153.4	$646.5	78.4
Segment operating profit (loss)	$77.0	$71.8	7.2	$158.2	$134.0	18.1
Segment operating profit margin	13.3 %	21.8 %		13.7 %	20.7 %	

Services net sales increased $250.6 or 76.0 percent and included a net favorable currency impact of $1.2 in the three months ended June 30, 2017, with $266.2 attributable to the Acquisition and included an unfavorable impact of $5.1 related to purchase accounting adjustments. In the six months ended June 30, 2017, Services net sales increased $506.9 or 78.4 percent and included a net favorable currency impact of $5.0, with $529.1 attributable to the Acquisition and included an unfavorable impact of $10.3 related to purchase accounting adjustments. Excluding the impact of the Acquisition, Services net sales in both the three and six months ended decreased $15.5 and $22.1, respectively, primarily due to the run-off of multi-vendor service contracts in the Americas, as well as lower installation revenue tied to decreased Systems volumes in the Americas and EMEA.

Segment operating profit increased in both the three and six months ended June 30, 2017 as a result of $60.4 and $116.7 incremental gross profit, respectively, partially offset by $31.5 and $62.5 of operating expense, respectively, associated with the Acquisition. Segment operating profit was unfavorably impacted by lower contract maintenance revenue in Americas combined with increased labor investments. The labor investments are a result of higher turnover rates of technicians and the associated training to support additional product lines. In the six months ended June 30, 2017, EMEA gross margin was unfavorably impacted by large systems projects in the prior year that carried a higher margin.

	Three Months Ended June 30,			Six Months Ended June 30,		
Software:	2017	2016	% Change	2017	2016	% Change
Revenue	$107.7	$30.6	252.0	$218.1	$53.0	311.5
Segment operating profit (loss)	$6.4	$0.2	N/M	$11.7	$(8.1)	244.4
Segment operating profit margin	5.9 %	0.7 %		5.4 %	(15.3)%	

Software net sales increased $77.1 or 251.9 percent and included a net favorable currency impact of $0.2 in the three months ended June 30, 2017, with $84.6 attributable to the Acquisition and included an unfavorable impact of $2.8 related to purchase accounting adjustments. In the six months ended June 30, 2017, Software revenue increased $165.1 or 311.5 percent and included a net favorable currency impact of $1.1, with $168.6 attributable to the

Acquisition and included an unfavorable impact of $2.8 related to purchase accounting adjustments. Excluding the impact of the Acquisition, Software revenue for the three months ended June 30, 2017 decreased $7.5 when compared to the same period in the prior year, primarily associated with lower Systems volume in the Americas. Software revenue for the six months ended June 30, 2017, was relatively flat compared to the same period in the prior year.

Segment operating profit increased in both the three and six months ended June 30, 2017 as a result of $32.3 and $61.7 incremental gross profit, respectively, partially offset by $20.9 and $41.5 operating expense, respectively, associated with the Acquisition. Additionally, the three months ended was unfavorably impacted by lower gross profit in Americas related to a software project in the prior-year period that did not recur.

57

Management's Discussion and Analysis of
Financial Condition and Results of Operations as of June 30, 2017
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
(unaudited)
(in millions, except per share amounts)

	Three Months Ended June 30,			Six Months Ended June 30,		
Systems:	2017	2016	% Change	2017	2016	% Change
Revenue	$446.0	$219.8	102.9	$865.2	$390.1	121.8
Segment operating profit (loss)	$(1.6)	$(14.0)	88.6	$(5.5)	$(29.1)	81.1
Segment operating profit margin	(0.4)%	(6.4)%		(0.6)%	(7.5)%	

Systems net sales increased $226.1 or 102.9 percent in the three months ended June 30, 2017, with $285.1 attributable to the Acquisition and included an unfavorable impact of $2.4 related to purchase accounting adjustments. In the six months ended June 30, 2017, Systems revenue increased $475.0 or 121.8 percent and included a net unfavorable currency impact of $1.9 with $561.7 attributable to the Acquisition and included an unfavorable impact of $7.6 related to purchase accounting adjustments. Excluding the impact of the Acquisition, Systems revenue decreased in both the three and six months ended June 30, 2017 primarily attributable to banking solutions activity across the Company. EMEA has been unfavorably impacted by the alignment of customer portfolio and solution offerings between the legacy companies which may be reflected as part of the sales attributable to the Acquisition. In the Americas, the volume declines were due to non-recurring projects and in AP mainly due to structural changes in the market

Segment operating profit increased in both the three and six months ended June 30, 2017 as a result of $78.9 and $150.1 incremental gross profit, respectively, partially offset by $48.5 and $94.7 operating expense, respectively, associated with the Acquisition. Systems gross margin in the three months ended June 30, 2017 increased primarily as a result of incremental gross profit associated with the Acquisition, which has a larger mix of higher margin business across both banking and retail solutions, and included purchase accounting adjustments of $2.8. In the three months ended June 30, 2017, systems gross margin was unfavorably impacted by EMEA due to large projects in the prior year period that carried a higher margin as well as unfavorable country revenue mix. Systems gross margin in the six months ended June 30, 2017 increased primarily as a result of incremental gross profit associated with the Acquisition and included purchase accounting adjustments of $20.8. In the six months ended June 30, 2017, systems gross margin was adversely impacted by the previously mentioned non-recurring projects in EMEA in addition to lower volume of higher margin sales in LA in 2017.

Refer to note 20 to the condensed consolidated financial statements for further details of segment revenue and operating profit.

Liquidity and Capital Resources

The Company's total cash and cash availability as of June 30, 2017 and December 31, 2016 was as follows:

	June 30, 2017	December 31, 2016
Cash and cash equivalents	$451.3	$ 652.7
Additional cash availability from		
Uncommitted lines of credit	160.0	198.6
Revolving credit facility	440.9	520.0
Short-term investments	76.9	64.1
Total cash and cash availability	$1,129.1	$ 1,435.4

Capital resources are obtained from income retained in the business, borrowings under the Company’s senior notes, committed and uncommitted credit facilities and operating and capital leasing arrangements. Management expects that the Company’s capital resources will be sufficient to finance planned working capital needs, research and development activities, restructuring and integration activities, investments in facilities or equipment, pension contributions, repayments of debt, redemption payments for redeemable noncontrolling interests, the payment of dividends on the Company’s common shares and any repurchases of the Company’s common shares for at least the next 12 months. As of June 30, 2017, $519.5 or 98.3 percent of the Company's cash and cash equivalents and short-term investments reside in international tax jurisdictions. Repatriation of these funds could be negatively impacted by potential payments for foreign and domestic taxes. The Company has approximately $180 of earnings that are available for repatriation with no additional tax expense as the Company has already provided for such taxes. Part of the Company’s growth strategy is to pursue acquisitions complementary to the Company's future structure. The Company has made acquisitions in the past and intends to make acquisitions in the future. The Company intends to finance any future acquisitions with either cash and short-term investments, cash provided from operations, borrowings under available credit facilities, proceeds from debt or equity offerings and/or the issuance of common shares.

The following table summarizes the results of the Company's condensed consolidated statement of cash flows for the six months ended June 30:

Summary of cash flows:	2017	2016
Net cash used by operating activities - continuing operations	$(185.8)	$(199.8)
Net cash used by investing activities - continuing operations	(63.7)	(1,724.5)
Net cash provided by financing activities	36.0	1,584.7
Discontinued operations, net	—	358.9
Effect of exchange rate changes on cash and cash equivalents	12.1	4.1
(Decrease) increase in cash and cash equivalents	$(201.4)	$23.4

Operating Activities

Cash flows from operating activities can fluctuate significantly from period to period as working capital needs and the timing of payments for income taxes, restructuring activities, pension funding and other items impact reported cash flows.

Net cash used by operating activities - continuing operations was $185.8 for the six months ended June 30, 2017, a decrease in use of $14.0 from $199.8 for the same period in 2016.

- The net aggregate of trade accounts receivable, inventories and accounts payable used $81.2 and $167.4 in operating cash flows during the six months ended June 30, 2017 and 2016, respectively. In general, the amount of cash flow provided or used by the aggregate of trade accounts payable, inventories and trade accounts receivable depends upon how effectively the Company manages the cash conversion cycle, which represents the number of days that elapse from the day it pays for the purchase of raw materials and components to the collection of cash from its customers and can be significantly impacted by the timing of collections and payments in a period. Accounts receivable cash use improved compared to prior-year same period improved primarily due to collections in AP and EMEA. Inventory cash use improved compared to the same period in the prior year due to normalization of inventory in the United States, primarily due to working capital initiatives, and in Europe along with inventory reductions in Brazil due to reduced demand. Accounts payable activities improved $63.0 from a use of $26.6 during the six months ended June 30, 2016 to cash provided of $36.4 during the six months ended June 30, 2017 due to a decrease in payments and working capital initiatives compared to the prior-year same period.
- In the aggregate, the other combined certain assets and liabilities used $158.1 and $60.7 of operating cash during the six months ended June 30, 2017 and 2016, respectively. The increase in use was primarily due to interest paid, restructuring payments, VAT payments and a transition service netting settlement with Securitas AB offset by deferred revenue cash provided by the collection of customer prepayments, mainly on service contracts compared to the same period in the prior year. Additionally, there were non-cash uses primarily related to taxes offset by non-cash sources of Diebold Nixdorf AG accrued noncontrolling interest dividend.

Adjustments to net income include (gain) loss on sale of assets, net, which consisted primarily of the gains from divestitures of the legacy Diebold business in the United Kingdom and the electronic security business located in Mexico. In connection with the Acquisition, the Company entered foreign currency option and forward contracts hedge against the effect of exchange rate fluctuations on the cash purchase consideration, acquisition-related costs and

any outstanding Diebold Nixdorf AG borrowings that were euro denominated and expected to be paid on or near the closing of the Acquisition. During the six months ended June 30, 2016, the Company recorded a $12.9 mark-to-market net gain on foreign currency option and forward contracts which is reflected in miscellaneous, net.

Management's Discussion and Analysis of
Financial Condition and Results of Operations as of June 30, 2017
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
(unaudited)
(in millions, except per share amounts)

Investing Activities

Net cash used by investing activities - continuing operations was $63.7 and $1,724.5 for the six months ended June 30, 2017 and 2016, respectively. The maturities and purchases of investments primarily relate to short-term investment activity in Brazil and for 2017 also include the Company's investment in Kony. The proceeds from the sale of assets primarily include cash from the divestitures of the legacy Diebold business in the United Kingdom and the electronic security business located in Mexico. The $1,660.8 change was primarily due to the funding of the Acquisition through the use of $1,768.1 restricted cash offset by $42.6 of proceeds from sale of foreign currency option contracts and net proceeds from the other investing activities. This decrease was partially offset by an increase in capital expenditures and certain other assets of $15.1 and $8.3 primarily due to the incremental expenditures related to the Acquisition. The Company's capital expenditures reflect normal investment activities to support operations.

The cash provided by the discontinued operations, net, includes the cash provided by the operations of the NA electronic security business. In the first quarter of 2016, discontinued operations, net, primarily related to the $365.1 proceeds received for the NA electronic security business divestiture.

Financing Activities

Net cash provided by financing activities was $36.0 and $1,584.7 for the six months ended June 30, 2017 and 2016, respectively, for decrease of $1,548.7. The change was primarily due to the decrease of $1,609.8 in debt borrowings, net of repayments primarily related to funding the Acquisition in 2016 and an increase of $14.3 cash distributions to noncontrolling interests primarily related to Diebold Nixdorf AG offset the reduction in dividends paid. Additionally, the six months ended June 30, 2016 included a $54.9 use related to restricted cash pursuant to the terms of the Credit Agreement. Refer to note 13 to the condensed consolidated financial statements for details of the Company's cash flows related to debt borrowings and repayments.

Debt As of June 30, 2017, the Company had various international short-term uncommitted lines of credit with borrowing limits of $225.5. The weighted-average interest rate on outstanding borrowings on the short-term uncommitted lines of credit as of June 30, 2017 and December 31, 2016 was 4.66 percent and 9.87 percent, respectively. The decrease in the weighted-average interest rate is attributable to a change in mix of borrowings of foreign entities. Short-term uncommitted lines mature in less than one year. The amount available under the short-term uncommitted lines at June 30, 2017 was $160.0.

The Company entered into a revolving and term loan credit agreement (the Credit Agreement), dated as of November 23, 2015, among the Company and certain of the Company's subsidiaries, as borrowers, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders named therein. The Credit Agreement included, among other things, mechanics for the Company’s existing revolving and term loan A facilities to be refinanced under the Credit Agreement. On December 23, 2015, the Company entered into a Replacement Facilities Effective Date Amendment, which amended the Credit Agreement, among the Company, certain of the Company’s subsidiaries, the lenders identified therein and JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to which the Company refinanced its $520.0 revolving and $230.0 term loan A senior unsecured credit facilities (which have been terminated and repaid in full) with, respectively, a new unsecured revolving facility (the Revolving Facility) in an amount of up to $520.0 and a new (non-delayed draw) unsecured term loan A facility (the Term Loan A Facility) on substantially the same terms as the Delayed Draw Term Loan A Facility (as defined in the Credit Agreement) in the amount of up

to $230.0. On December 23, 2020, the Term Loan A Facility will mature and the Revolving Facility will automatically terminate. The weighted-average interest rate on outstanding Revolving Facility borrowings as of June 30, 2017 and December 31, 2016 was 3.00 percent and 2.56 percent, respectively, which is variable based on the London Interbank Offered Rate (LIBOR). The amount available under the Revolving Facility as of June 30, 2017 was $440.9.

On April 19, 2016, the Company issued the 2024 Senior Notes in an offering exempt from the registration requirements of the Securities Act of 1933 (the Securities Act) in connection with the Acquisition. The 2024 Senior Notes are and will be guaranteed by certain of the Company’s existing and future domestic subsidiaries.

On May 9, 2017 The Company entered into an incremental amendment to its Credit Agreement (Incremental Agreement) which reduced the initial term loan B facility (the Term Loan B Facility) of a $1,000.0 U.S. dollar-denominated tranche to $475.0. The reduction was funded using the $250.0 proceeds drawn from the Delayed Draw Term Loan A Facility, a replacement of $70.0 with Term Loan B Facility - Euro and previous principal payments.

In connection with the Incremental Agreement, the interest rate with respect to the Term Loan B Facility - USD is based on, at the Company's option, adjusted LIBOR plus 2.75 percent (with a floor of 0.00 percent) or Alternate Base Rate (ABR) plus 1.75 percent (with an ABR floor of 1.00 percent) and the interest rate with respect to the Term Loan B Facility - Euro is based on adjusted Euro Interbank Offered Rate (EURIBOR) plus 3.00 percent (with a floor of 0.00 percent). Prior to the Incremental Agreement, the interest rate for the Term Loan B Facility - USD was LIBOR plus an applicable margin of 4.50 percent (or, at the Company's option, prime plus an applicable margin of 3.50 percent), and the interest rate for the Term Loan B Facility - Euro was at the EURIBOR plus an applicable margin of 4.25 percent. As a result of the Incremental Agreement, the Company anticipates an approximate $5.0 reduction in interest expense per quarter.

The Incremental Amendment also renewed the repricing premium of 1.00 percent in relation to the Term Loan B Facility to the date that is six months after the Incremental Effective Date, removed the requirement to prepay the Repriced Dollar Term Loan and the Repriced Euro Term Loan upon any asset sale or casualty event if the Company is below a Total Net Leverage Ratio of 2.5:1.0 on a pro forma basis for such asset sale or casualty event and provides additional restricted payments and investment carveouts in regards to assets acquired with the Acquisition. All other material provisions under the Credit Agreement were unchanged.

On May 6 and August 16, 2016, the Company entered into the Second and Third Amendments to the Credit Agreement, which re-denominated a portion of the Term Loan B Facility into euros and guaranteed the prompt and complete payment and performance of the obligations when due under the Credit Agreement. On February 14, 2017, the Company entered into the Fourth Amendment to the Credit Agreement, which allows the proceeds from the Delayed Draw Term Loan A Facility to be used for general corporate purposes.

The Credit Agreement financial covenant ratios at June 30, 2017 are as follows:

- a maximum total net debt to adjusted EBITDA leverage ratio of 4.50 to 1.00 for the three months ended June 30, 2017 (reducing to 4.25 on December 31, 2017, further reduced to 4.00 on December 31, 2018, and further reduced to 3.75 on June 30, 2019); and
- a minimum adjusted EBITDA to net interest expense coverage ratio of not less than 3.00 to 1.00

Below is a summary of financing and replacement facilities information:

Financing and Replacement Facilities	Interest Rate Index and Margin	Maturity/Termination Dates	Term (Years)
Credit Agreement facilities			
Revolving Facility	LIBOR + 1.75%	December 2020	5
Term Loan A Facility	LIBOR + 1.75%	December 2020	5
Delayed Draw Term Loan A Facility	LIBOR + 1.75%	December 2020	5
Term Loan B Facility - USD	LIBOR[i] + 2.75%	November 2023	7.5
Term Loan B Facility - Euro	EURIBOR[ii] + 3.00%	November 2023	7.5
2024 Senior Notes	8.5%	April 2024	8

[i] LIBOR with a floor of 0.0%.
[ii] EURIBOR with a floor of 0.0%.

In November 2016, the Company entered into multiple pay-fixed receive-variable interest rate swaps outstanding with an aggregate notional amount of $400.0.

Following the close of the Acquisition, the debt facilities under the Credit Agreement are secured by substantially all assets of the Company and its domestic subsidiaries that are borrowers or guarantors under the Credit Agreement, subject to certain exceptions and permitted liens.

The Company's financing agreements contain various restrictive financial covenants, including net debt to EBITDA and net interest coverage ratios. As of June 30, 2017, the Company was in compliance with the financial and other covenants within its debt agreements.

Dividends The Company paid dividends of $15.3 and $38.0 in the six months ended June 30, 2017 and 2016, respectively. Quarterly dividends were $0.10 per share for the six months ended June 30, 2017 compared to $0.2875 per share for the six months ended June 30, 2016.

Contractual Obligations In the first six months of 2017, the Company entered into purchase commitments due within one year for materials through contract manufacturing agreements for a total negotiated price. At June 30, 2017, the Company had purchase commitments due within one year totaling $15.0 for materials through contract manufacturing agreements at negotiated prices.

Pursuant to the DPLTA, subject to certain limitations pursuant to applicable law, (i) Diebold KGaA has the ability to issue binding instructions to the management board of Diebold Nixdorf AG, (ii) Diebold Nixdorf AG will transfer all of its annual profits to Diebold KGaA, and (iii) Diebold KGaA will generally absorb all annual losses incurred by Diebold Nixdorf AG. In addition, the DPLTA offers the Diebold Nixdorf AG minority shareholders, at their election, (i) the ability to put their Diebold Nixdorf AG ordinary shares to Diebold KGaA in exchange for cash compensation of €55.02 per Diebold Nixdorf AG ordinary share or (ii) to remain Diebold Nixdorf AG minority shareholders and receive a recurring compensation in cash of €3.13 (€2.82 net under the current taxation regime) per Diebold Nixdorf AG ordinary share for each full fiscal year of Diebold Nixdorf AG. The ultimate timing and amount of any future cash payments related to the DPLTA are uncertain.

Except for the items noted above, all contractual cash obligations with initial and remaining terms in excess of one year and contingent liabilities remained generally unchanged at June 30, 2017 compared to December 31, 2016.

Off-Balance Sheet Arrangements The Company enters into various arrangements not recognized in the condensed consolidated balance sheets that have or could have an effect on its financial condition, results of operations, liquidity, capital expenditures or capital resources. The principal off-balance sheet arrangements that the Company enters into are guarantees, operating leases and sales of finance receivables. The Company provides its global operations guarantees and standby letters of credit through various financial institutions to suppliers, regulatory agencies and insurance providers. If the Company is not able to make payment, the suppliers, regulatory agencies and insurance providers may draw on the pertinent bank. Refer to note 15 to the condensed consolidated financial statements for further details of guarantees. The Company has sold finance receivables to financial institutions while continuing to service the receivables. The Company records these sales by removing finance receivables from the condensed consolidated balance sheets and recording gains and losses in the condensed consolidated statements of operations.

Critical Accounting Policies and Estimates

Management’s discussion and analysis of the Company’s financial condition and results of operations are based upon the Company’s condensed consolidated financial statements. The preparation of these financial statements requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities and reported amounts of revenues and expenses. Such estimates include revenue recognition, the valuation of trade, finance lease receivables, inventories, goodwill, intangible assets, other long-lived assets, legal contingencies, guarantee obligations and assumptions used in the calculation of income taxes, pension and post-retirement benefits and customer incentives, among others. These estimates and assumptions are based on management’s best estimates and judgment.

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors. Management monitors the economic conditions and other factors and will adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

Management believes there have been no significant changes during the six months ended June 30, 2017 to the items that the Company disclosed as its critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's annual report on Form 10-K for the year ended December 31, 2016.

Management's Discussion and Analysis of
Financial Condition and Results of Operations as of June 30, 2017
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
(unaudited)
(in millions, except per share amounts)

Forward-Looking Statement Disclosure

In this quarterly report on Form 10-Q, statements that are not reported financial results or other historical information are “forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.” Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. These forward-looking statements relate to, among other things, the Company's future operating performance, the Company's share of new and existing markets, the Company's short- and long-term revenue and earnings growth rates, and the Company's implementation of cost-reduction initiatives and measures to improve pricing, including the optimization of the Company's manufacturing capacity.

The use of the words “will,” “believes,” “anticipates,” “expects,” “intends” and similar expressions is intended to identify forward-looking statements that have been made and may in the future be made by or on behalf of the Company. Although the Company believes that these forward-looking statements are based upon reasonable assumptions regarding, among other things, the economy, its knowledge of its business, and on key performance indicators that impact the Company, these forward-looking statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those expressed in or implied by the forward-looking statements. The Company is not obligated to update forward-looking statements, whether as a result of new information, future events or otherwise.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Some of the risks, uncertainties and other factors that could cause actual results to differ materially from those expressed in or implied by the forward-looking statements include, but are not limited to:

- the ultimate impact of the DPLTA with Diebold Nixdorf AG and the outcome of the appraisal proceedings initiated in connection with the implementation of the DPLTA;
- the ultimate outcome and results of integrating the operations of the Company and Diebold Nixdorf AG;
- the ultimate outcome of the Company’s pricing, operating and tax strategies applied to Diebold Nixdorf AG and the ultimate ability to realize synergies;
- the Company's ability to successfully launch and operate its joint ventures in China with the Inspur Group and Aisino Corp.;
- the impact of market and economic conditions on the financial services industry;
- the capacity of the Company's technology to keep pace with a rapidly evolving marketplace;
- pricing and other actions by competitors;
- the effect of legislative and regulatory actions in the United States and internationally;
- the Company's ability to comply with government regulations;
- the impact of a security breach or operational failure on the Company's business;
- the Company's ability to successfully integrate acquisitions into its operations; and
- the impact of the Company's strategic initiatives, including the Company's DN2020 plan.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

On August 15, 2016, the Company designated its €350.0 euro-denominated Term Loan B Facility as a net investment hedge of its investments in certain subsidiaries that use the Euro as their functional currency in order to reduce volatility in stockholders' equity caused by the changes in foreign currency exchange rates of the Euro with respect to

the U.S. Dollar. Effectiveness is assessed at least quarterly by confirming that the respective designated net investments' net equity balances at the beginning of any period collectively continues to equal or exceed the balance outstanding on the Company's Euro-denominated term loan. Changes in value that are deemed effective are accumulated in AOCI. When the respective net investments are sold or substantially liquidated, the balance of the cumulative translation adjustment in AOCI will be reclassified into earnings. The net gain (loss) recognized in AOCI on net investment hedge foreign currency borrowings was $(19.7) in the three months ended June 30, 2017 and $(25.8) and for the six months ended June 30, 2017. On March 30, 2017, the Company de-designated €130.6 of its euro-denominated Term Loan B Facility and on May 9, 2017, the Company designated an additional €66.8 of its euro-denominated Term Loan B Facility as a result of its repricing described under note 13 to the condensed consolidated financial statements.

Refer to the Company's annual report on Form 10-K for the year ended December 31, 2016 for a discussion of market risk exposures. There have been no material changes in this information since December 31, 2016.

Item 4: Controls and Procedures

This quarterly report on Form 10-Q includes the certifications of the Company's chief executive officer (CEO) and chief financial officer (CFO) required by Rule 13a-14 of the Securities Exchange Act of 1934 (the Exchange Act). See Exhibits 31.1 and 31.2. This Item 4 includes information concerning the controls and control evaluations referred to in those certifications.

Based on the performance of procedures by management, designed to ensure the reliability of financial reporting, management believes that the unaudited condensed consolidated financial statements fairly present, in all material respects, the Company's financial position, results of operations and cash flows as of the dates, and for the periods presented.

Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the CEO and CFO as appropriate, to allow timely decisions regarding required disclosures.

In connection with the preparation of this quarterly report on Form 10-Q, the Company's management, under the supervision and with the participation of the CEO and CFO, conducted an evaluation of disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the CEO and CFO have concluded that such disclosure controls and procedures were effective as of June 30, 2017.

Change in Internal Controls

On August 15, 2016, the Company completed the acquisition of Diebold Nixdorf AG. As permitted by SEC guidance, the scope of management’s evaluation of internal control over financing reporting as of June 30, 2017 did not include the internal control over financial reporting of Diebold Nixdorf AG. However, we are extending the Company's oversight and monitoring processes that support its internal control over financial reporting to include Diebold Nixdorf AG's operations.

During the quarter ended June 30, 2017, there have been no other changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Table of Contents
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
FORM 10-Q as of June 30, 2017
(in millions, except share and per share amounts)

Part II – Other Information
Item 1: Legal Proceedings

At June 30, 2017, the Company was a party to several lawsuits that were incurred in the normal course of business, which neither individually nor in the aggregate are considered material by management in relation to the Company's financial position or results of operations. In management's opinion, the Company's condensed consolidated financial statements would not be materially affected by the outcome of these legal proceedings, commitments or asserted claims.

For more information regarding legal proceedings, please refer to Part I, Item 3 of the Company's annual report on Form 10-K for the year ended December 31, 2016. There have been no material developments with respect to the legal proceedings reported in the Company's annual report on Form 10-K for the year ended December 31, 2016.

Item 1A: Risk Factors

Refer to the Company's annual report on Form 10-K for the year ended December 31, 2016, and the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2017. There has been no material change to this information since March 31, 2017.

The Company is exposed to additional litigation risk and uncertainty with respect to the remaining minority shareholders of Diebold Nixdorf AG.

As a result of the Acquisition, the Company continues to be exposed to litigation risk and uncertainty associated with the remaining minority shareholders of Diebold Nixdorf AG. The Company's willingness and/or ability to acquire all issued and outstanding shares of Diebold Nixdorf AG, and the timing of any such potential acquisition, is uncertain. In addition, the adequacy of both forms of compensation payments to minority shareholders agreed under the terms of the DPLTA has been challenged by several minority shareholders of Diebold Nixdorf AG by initiating court-led appraisal proceedings under German law. The Company cannot rule out that the competent court in such appraisal proceeding may adjudicate a higher exit compensation or recurring payment obligation (in each case, including interest thereon) than agreed upon in the DPLTA, the financial impact and timing of which is uncertain.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Information concerning the Company's share repurchases made during the second quarter of 2017:

Period	Total Number of Shares Purchased [1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans [2]	Maximum Number of Shares that May Yet Be Purchased Under the Plans (2)
April	163	$ 30.70	—	2,426,177
May	—	$ —	—	2,426,177
June	1,122	$ 28.56	—	2,426,177
Total	1,285	$ 28.83	—	

(1) All shares were surrendered or deemed surrendered to the Company in connection with the Company's share-based compensation plans.

(2)

The total number of shares repurchased as part of the publicly announced share repurchase plan since its inception was 13,450,772 as of June 30, 2017. The plan was approved by the Board of Directors in 1997. The Company may purchase shares from time to time in open market purchases or privately negotiated transactions. The Company may make all or part of the purchases pursuant to accelerated share repurchases or Rule 10b5-1 plans. The plan has no expiration date. The following table provides a summary of Board of Directors approvals to repurchase the Company's outstanding common shares:

	Total Number of Shares Approved for Repurchase
1997	2,000,000
2004	2,000,000
2005	6,000,000
2007	2,000,000
2011	1,876,949
2012	2,000,000
	15,876,949

65

Item 3: Defaults Upon Senior Securities

None.

Item 4: Mine Safety Disclosures

Not applicable.

Item 5: Other Information

None.

Item 6: Exhibits

3.1(i)	Amended and Restated Articles of Incorporation of Diebold, Incorporated – incorporated by reference to Exhibit 3.1(i) to Registrant’s Annual Report on Form 10-K for the year ended December 31, 1994 (Commission File No. 1-4879)
3.1(ii)	Amended and Restated Code of Regulations – incorporated by reference to Exhibit 3.1(ii) to Registrant’s Current Report on Form 8-K filed on February 17, 2017 (Commission File No. 1-4879)
3.2	Certificate of Amendment by Shareholders to Amended Articles of Incorporation of Diebold, Incorporated – incorporated by reference to Exhibit 3.2 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 1996 (Commission File No. 1-4879)
3.3	Certificate of Amendment to Amended Articles of Incorporation of Diebold, Incorporated – incorporated by reference to Exhibit 3.3 to Registrant’s Annual Report on Form 10-K for the year ended December 31, 1998 (Commission File No. 1-4879)
3.4	Certificate of Amendment to Amended Articles of Incorporation of Diebold Nixdorf, Incorporated – incorporated by reference to Exhibit 3.1(i) to Registrant’s Current Report on Form 8-K filed on December 12, 2016 (Commission File No. 1-4879)
3.5	Certificate of Amendment to Amended Articles of Incorporation of Diebold Nixdorf, Incorporated, effective April 26, 2017 – incorporated by reference to Exhibit 3.5 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (Commission File No. 1-4879)
10.1	Jürgen Wunram Amended Service Agreement – incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (Commission File No. 1-4879)
10.2	Christopher Chapman Service Agreement – incorporated by reference to Exhibit 10.7 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (Commission File No. 1-4879)
10.3	Diebold Nixdorf, Incorporated 2017 Equity and Performance Incentive Plan – incorporated by reference to Exhibit 4.6 to Registrant’s Registration Statement on Form S-8 filed on April 26, 2017 (Registration Statement No. 333-217476)

10.4	Form of Non-Qualified Stock Option Agreement (2017 Plan) – incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on April 28, 2017 (Commission File No. 1-4879)
10.5	Form of Restricted Share Agreement (2017 Plan) – incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on April 28, 2017 (Commission File No. 1-4879)
10.6	Form of Restricted Stock Unit Agreement - Cliff Vest (2017 Plan) – incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K filed on April 28, 2017 (Commission File No. 1-4879)
10.7	Form of Restricted Stock Unit Agreement - Ratable Vest (2017 Plan) – incorporated by reference to Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on April 28, 2017 (Commission File No. 1-4879)
10.8	Form of Restricted Stock Unit Agreement - Non-employee Directors (2017 Plan) – incorporated by reference to Exhibit 10.5 to Registrant's Current Report on Form 8-K filed on April 28, 2017 (Commission File No. 1-4879)
10.9	Form of Stock Appreciation Rights Agreement (2017 Plan) – incorporated by reference to Exhibit 10.6 to Registrant's Current Report on Form 8-K filed on April 28, 2017 (Commission File No. 1-4879)

10.10	Form of Performance Shares Agreement (2017 Plan) – incorporated by reference to Exhibit 10.7 to Registrant's Current Report on Form 8-K filed on April 28, 2017 (Commission File No. 1-4879)
10.11	Form of Performance Units Agreement (2017 Plan) – incorporated by reference to Exhibit 10.8 to Registrant's Current Report on Form 8-K filed on April 28, 2017 (Commission File No. 1-4879)
10.12	Incremental Amendment to Credit Agreement, dated as of May 9, 2017, among Diebold Nixdorf, Incorporated, certain subsidiary borrowers party thereto, the lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIEBOLD NIXDORF, INCORPORATED

Date: July 26, 2017 /s/ Andreas W. Mattes
By: Andreas W. Mattes
President and Chief Executive Officer
(Principal Executive Officer)

Date: July 26, 2017 /s/ Christopher A. Chapman
By: Christopher A. Chapman
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

EXHIBIT NO.	DOCUMENT DESCRIPTION
3.1(i)	Amended and Restated Articles of Incorporation of Diebold, Incorporated – incorporated by reference to Exhibit 3.1(i) to Registrant’s Annual Report on Form 10-K for the year ended December 31, 1994 (Commission File No. 1-4879)
3.1(ii)	Amended and Restated Code of Regulations – incorporated by reference to Exhibit 3.1(ii) to Registrant’s Current Report on Form 8-K filed on February 17, 2017 (Commission File No. 1-4879)
3.2	Certificate of Amendment by Shareholders to Amended Articles of Incorporation of Diebold, Incorporated – incorporated by reference to Exhibit 3.2 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 1996 (Commission File No. 1-4879)
3.3	Certificate of Amendment to Amended Articles of Incorporation of Diebold, Incorporated – incorporated by reference to Exhibit 3.3 to Registrant’s Annual Report on Form 10-K for the year ended December 31, 1998 (Commission File No. 1-4879)
3.4	Certificate of Amendment to Amended Articles of Incorporation of Diebold Nixdorf, Incorporated – incorporated by reference to Exhibit 3.1(i) to Registrant’s Current Report on Form 8-K filed on December 12, 2016 (Commission File No. 1-4879)
3.5	Certificate of Amendment to Amended Articles of Incorporation of Diebold Nixdorf, Incorporated, effective April 26, 2017 – incorporated by reference to Exhibit 3.5 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (Commission File No. 1-4879)
10.1	Jürgen Wunram Amended Service Agreement – incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (Commission File No. 1-4879)
10.2	Christopher Chapman Service Agreement – incorporated by reference to Exhibit 10.7 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (Commission File No. 1-4879)
10.3	Diebold Nixdorf, Incorporated 2017 Equity and Performance Incentive Plan – incorporated by reference to Exhibit 4.6 to Registrant’s Registration Statement on Form S-8 filed on April 26, 2017 (Registration Statement No. 333-217476)
10.4	Form of Non-Qualified Stock Option Agreement (2017 Plan) – incorporated by reference to Exhibit 10.1 to Registrant’s Current Report on Form 8-K filed on April 28, 2017 (Commission File No. 1-4879)
10.5	Form of Restricted Share Agreement (2017 Plan) – incorporated by reference to Exhibit 10.2 to Registrant’s Current Report on Form 8-K filed on April 28, 2017 (Commission File No. 1-4879)
10.6	

	Form of Restricted Stock Unit Agreement - Cliff Vest (2017 Plan) – incorporated by reference to Exhibit 10.3 to Registrant’s Current Report on Form 8-K filed on April 28, 2017 (Commission File No. 1-4879)
10.7	Form of Restricted Stock Unit Agreement - Ratable Vest (2017 Plan) – incorporated by reference to Exhibit 10.4 to Registrant’s Current Report on Form 8-K filed on April 28, 2017 (Commission File No. 1-4879)
10.8	Form of Restricted Stock Unit Agreement - Non-employee Directors (2017 Plan) – incorporated by reference to Exhibit 10.5 to Registrant’s Current Report on Form 8-K filed on April 28, 2017 (Commission File No. 1-4879)
10.9	Form of Stock Appreciation Rights Agreement (2017 Plan) – incorporated by reference to Exhibit 10.6 to Registrant’s Current Report on Form 8-K filed on April 28, 2017 (Commission File No. 1-4879)
10.10	Form of Performance Shares Agreement (2017 Plan) – incorporated by reference to Exhibit 10.7 to Registrant’s Current Report on Form 8-K filed on April 28, 2017 (Commission File No. 1-4879)
10.11	Form of Performance Units Agreement (2017 Plan) – incorporated by reference to Exhibit 10.8 to Registrant’s Current Report on Form 8-K filed on April 28, 2017 (Commission File No. 1-4879)
10.12	Incremental Amendment to Credit Agreement, dated as of May 9, 2017, among Diebold Nixdorf, Incorporated, certain subsidiary borrowers party thereto, the lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

70