DIEBOLD NIXDORF, Inc
Form 10-Q
October 31, 2017

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

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-4879

Diebold Nixdorf, Incorporated
(Exact name of registrant as specified in its charter)

Ohio	34-0183970
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
5995 Mayfair Road, PO Box 3077, North Canton, Ohio	44720-8077
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (330) 490-4000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	o	Non-accelerated filer (Do not check if a smaller reporting company)	o
Smaller reporting company	o	Emerging growth company	o		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Number of shares of common stock outstanding as of October 26, 2017 was 75,534,183.

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
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Part I – Financial Information
Item 1: Financial Statements
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in millions, except share and per share amounts)

	September 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 380.7	$ 652.7
Short-term investments	64.0	64.1
Trade receivables, less allowances for doubtful accounts of $70.6 and $50.4, respectively	911.9	835.9
Inventories	807.8	737.7
Prepaid expenses	64.5	60.7
Income taxes	132.0	85.2
Other current assets	215.4	183.3
Total current assets	2,576.3	2,619.6
Securities and other investments	92.5	94.7
Property, plant and equipment, net of accumulated depreciation and amortization of $428.1 and $477.0, respectively	367.7	387.0
Goodwill	1,105.9	998.3
Deferred income taxes	338.0	309.5
Finance lease receivables	16.4	25.2
Customer relationships, net	641.6	596.3
Other intangible assets, net	151.9	176.6
Other assets	71.1	63.1
Total assets	$ 5,361.4	$ 5,270.3
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Current liabilities		
Notes payable	$ 71.9	$ 106.9
Accounts payable	579.1	560.5
Deferred revenue	369.4	404.2
Payroll and other benefits liabilities	201.3	172.5
Other current liabilities	536.6	580.4
Total current liabilities	1,758.3	1,824.5
Long-term debt	1,834.5	1,691.4
Pensions, post-retirement and other benefits	281.5	297.2
Deferred income taxes	282.6	300.6
Other liabilities	107.1	87.7
Commitments and contingencies		
Redeemable noncontrolling interests	485.7	44.1
Equity		
Diebold Nixdorf, Incorporated shareholders' equity		
Preferred shares, no par value, 1,000,000 authorized shares, none issued	—	—
Common shares, $1.25 par value, 125,000,000 authorized shares, 90,481,613 and 89,924,378 issued shares, 75,527,998 and 75,144,784 outstanding shares, respectively	113.1	112.4
Additional capital	710.7	720.0

Retained earnings	514.9	662.7
Treasury shares, at cost (14,953,615 and 14,779,597 shares, respectively)	(567.2)	(562.4)
Accumulated other comprehensive loss	(199.3)	(341.3)
Total Diebold Nixdorf, Incorporated shareholders' equity	572.2	591.4
Noncontrolling interests	39.5	433.4
Total equity	611.7	1,024.8
Total liabilities, redeemable noncontrolling interests and equity	$ 5,361.4	$ 5,270.3

See accompanying notes to condensed consolidated financial statements.

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DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(unaudited)
(in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net sales				
Services and software	$725.7	$571.0	$2,097.2	$1,270.5
Systems	397.0	412.3	1,262.2	802.4
	1,122.7	983.3	3,359.4	2,072.9
Cost of sales				
Services and software	553.7	400.0	1,595.6	867.7
Systems	328.0	385.7	1,042.5	713.7
	881.7	785.7	2,638.1	1,581.4
Gross profit	241.0	197.6	721.3	491.5
Selling and administrative expense	208.8	253.5	692.6	506.4
Research, development and engineering expense	34.2	31.3	114.4	67.4
Impairment of assets	—	—	3.1	—
(Gain) loss on sale of assets, net	5.6	(0.5)	(2.5)	(0.2)
	248.6	284.3	807.6	573.6
Operating profit (loss)	(7.6)	(86.7)	(86.3)	(82.1)
Other income (expense)				
Interest income	4.3	5.3	15.8	16.5
Interest expense	(27.7)	(32.4)	(90.7)	(68.2)
Foreign exchange gain (loss), net	3.2	2.0	(4.5)	(1.6)
Miscellaneous, net	(1.5)	(4.2)	1.7	3.6
Income (loss) from continuing operations before taxes	(29.3)	(116.0)	(164.0)	(131.8)
Income tax (benefit) expense	(0.5)	(18.8)	(59.4)	(34.5)
Income (loss) from continuing operations, net of tax	(28.8)	(97.2)	(104.6)	(97.3)
Income (loss) from discontinued operations, net of tax	—	(4.6)	—	143.7
Net income (loss)	(28.8)	(101.8)	(104.6)	46.4
Net income attributable to noncontrolling interests	6.6	0.5	20.2	1.6
Net income (loss) attributable to Diebold Nixdorf, Incorporated	$(35.4)	$(102.3)	$(124.8)	$44.8
Basic weighted-average shares outstanding	75.5	70.9	75.4	67.0
Diluted weighted-average shares outstanding	75.5	70.9	75.4	67.6
Basic earnings (loss) per share				
Loss from continuing operations, net of tax	$(0.47)	$(1.38)	$(1.66)	$(1.48)
Income (loss) from discontinued operations, net of tax	—	(0.06)	—	2.15
Net income (loss) attributable to Diebold Nixdorf, Incorporated	$(0.47)	$(1.44)	$(1.66)	$0.67
Diluted earnings (loss) per share				
Loss from continuing operations, net of tax	$(0.47)	$(1.38)	$(1.66)	$(1.46)
Income (loss) from discontinued operations, net of tax	—	(0.06)	—	2.12
Net income (loss) attributable to Diebold Nixdorf, Incorporated	$(0.47)	$(1.44)	$(1.66)	$0.66

Amounts attributable to Diebold Nixdorf, Incorporated				
Loss before discontinued operations, net of tax	$(35.4)	$(97.7)	$(124.8)	$(98.9)
Income (loss) from discontinued operations, net of tax	—	(4.6)	—	143.7
Net income (loss) attributable to Diebold Nixdorf, Incorporated	$(35.4)	$(102.3)	$(124.8)	$44.8
Common dividends declared and paid per share	$0.1000	$0.2875	$0.3000	$0.8625

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income (loss)	$(28.8)	$(101.8)	$(104.6)	$46.4
Other comprehensive income (loss), net of tax				
Translation adjustment	15.8	(4.2)	145.0	49.6
Foreign currency hedges (net of tax of $1.2, $0.2, $(0.2) and $4.2, respectively)	(2.4)	(0.4)	1.0	(7.9)
Interest rate hedges				
Net gain recognized in other comprehensive income (net of tax of $(0.1) and $(0.6), respectively)	0.3	—	1.8	—
Reclassification adjustment for amounts recognized in net income	—	—	(0.4)	(0.1)
	0.3	—	1.4	(0.1)
Pension and other post-retirement benefits				
Net actuarial loss amortization (net of tax of $(0.5), $(0.3), $0.5 and $(1.3), respectively)	1.0	(0.1)	(2.0)	1.8
Other comprehensive income (loss), net of tax	14.7	(4.7)	145.4	43.4
Comprehensive income (loss)	(14.1)	(106.5)	40.8	89.8
Less: comprehensive income (loss) attributable to noncontrolling interests	8.4	0.5	23.7	1.1
Comprehensive income (loss) attributable to Diebold Nixdorf, Incorporated	$(22.5)	$(107.0)	$17.1	$88.7

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2017	2016
Cash flow from operating activities		
Net income (loss)	$(104.6)	$46.4
Income (loss) from discontinued operations, net of tax	—	143.7
Income (loss) from continuing operations, net of tax	(104.6)	(97.3)
Adjustments to reconcile net income (loss) to cash flow used by operating activities:		
Depreciation and amortization	185.4	74.3
Share-based compensation	23.1	14.2
Other	4.7	(9.5)
Changes in certain assets and liabilities, net of the effects of acquisitions		
Trade receivables	(57.5)	(85.3)
Inventories	(48.8)	(18.9)
Income taxes	(46.8)	(90.3)
Accounts payable	10.0	14.2
Deferred revenue	(43.3)	(42.9)
Deferred income taxes	(36.3)	(58.5)
Restructuring payments	(57.8)	(11.7)
Certain other assets and liabilities	(63.4)	125.3
Net cash used by operating activities - continuing operations	(235.3)	(186.4)
Net cash used by operating activities - discontinued operations	—	(8.2)
Net cash used by operating activities	(235.3)	(194.6)
Cash flow from investing activities		
Payment for acquisitions	(5.6)	(890.6)
Proceeds from maturities of investments	249.5	164.1
Proceeds from sale of foreign currency option contracts, net	—	16.2
Payments for purchases of investments	(260.7)	(155.6)
Proceeds from sale of assets	14.6	28.7
Capital expenditures	(41.7)	(23.9)
Restricted cash	(7.9)	—
Increase in certain other assets	(26.9)	(17.9)
Net cash used by investing activities - continuing operations	(78.7)	(879.0)
Net cash provided by investing activities - discontinued operations	—	361.9
Net cash used by investing activities	(78.7)	(517.1)
Cash flow from financing activities		
Dividends paid	(22.9)	(57.0)
Debt issuance costs	(1.1)	(39.2)
Revolving credit facility borrowings (repayments), net	120.0	(168.0)
Other debt borrowings	381.0	1,825.7
Other debt repayments	(433.5)	(419.2)
Distributions and payments to noncontrolling interest holders	(16.3)	(2.1)
Issuance of common shares	0.3	0.3
Repurchase of common shares	(4.8)	(2.1)

Net cash provided by financing activities	22.7	1,138.4
Effect of exchange rate changes on cash and cash equivalents	19.3	9.4
(Decrease) increase in cash and cash equivalents	(272.0)	436.1
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	$380.7	$748.2

See accompanying notes to condensed consolidated financial statements.

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DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
FORM 10-Q as of September 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 nine months ended September 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.

Recently Adopted Accounting Guidance

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 $0.3 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 nine months ended September 30, 2016.

In October 2016, the FASB issued ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory. This ASU requires the recognition of the income tax effects of intercompany sales and transfers of assets, other than inventory, in the period in which the transfer occurs rather than deferring recognition until the asset is sold to an external party. For the Company, ASU 2016-16 is effective for annual periods beginning after December 15, 2017 and requires application of a modified retrospective approach with a cumulative catch-up adjustment to opening retained earnings in the period of adoption. The Company early adopted the standard in 2017. The adoption of ASU 2016-16 did not have a material impact on the financial statements of the Company.

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. The Company has chosen to adopt the modified retrospective transition method as its recent acquisitions would impact the comparability under the retrospective model.

In 2015, the Company 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 bottom-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 current assessment indicates no material impact related to the adoption of ASU 2014-06. The Company continues to evaluate all contracts, particularly on stand alone pricing methodology and variable consideration, which it believes are the gaps that provide the highest impact. The Company will continue its evaluation and assessment on the impact on the financial statements and related disclosures.

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 adoption of ASU 2017-09 is not expected to have a material impact on the financial statements of the Company.

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 adoption of ASU 2017-10 is not expected to have a material impact on the financial statements of the Company.

(in millions, except per share amounts)

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities, which expands and refines hedge accounting for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedge items in the financial statements, and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. The update to the standard is effective for the Company on June 1, 2019, with early adoption permitted in any interim period. The Company is currently evaluating the effect the guidance will have on its financial statements and related disclosures.

Note 2: Acquisitions

During 2017, the Company acquired all the capital stock of Moxx Group B.V. (Moxx) and certain assets and liabilities of Visio Objekt GmbH (Visio) for $5.6 in the aggregate, net of cash acquired, which are included in the Services LOB. During the third quarter of 2017, the Company acquired Moxx, which is a Netherlands based managed services company that provides managed mobility solutions for enterprises that use a large number of mobile assets in their business operations. In the second quarter of 2017, the Company acquired Visio, which is a design company based in Germany.

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 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 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 aggregate 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 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.

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(in millions, except per share amounts)

The following table summarizes the final amounts of the fair value recognized for the assets acquired and liabilities assumed as of the acquisition date along with the measurement period adjustments based on the allocation of the total consideration, net of cash acquired:

	Amounts recognized as of:		
	Preliminary		Final
	December 31, 2016	Measurement Period	September 30, 2017
Trade receivables	$474.1	$ (4.5)	$ 469.6
Inventories	487.2	10.9	498.1
Prepaid expenses	39.3	(0.3)	39.0
Current assets held for sale	106.6	—	106.6
Other current assets	79.9	(0.3)	79.6
Property, plant and equipment	247.1	(10.5)	236.6
Intangible assets	802.1	29.0	831.1
Deferred income taxes	109.7	5.8	115.5
Other assets	27.0	—	27.0
Total assets acquired	2,373.0	30.1	2,403.1
Notes payable	159.8	—	159.8
Accounts payable	321.5	—	321.5
Deferred revenue	158.0	19.6	177.6
Payroll and other benefits liabilities	191.6	(7.3)	184.3
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	9.0	467.9
Total liabilities assumed	1,645.9	27.2	1,673.1
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	2.9	275.3
Total consideration, net of cash acquired	1,155.0	—	1,155.0
Goodwill	$882.6	$ (2.9)	$ 879.7

During the third quarter of 2017, the Company finalized the acquisition accounting for Diebold Nixdorf AG. The measurement period adjustments outlined above primarily related to changes in the fair value measurement of certain assets and liabilities. The trade receivables measurement period adjustment related to a reduction of $4.5 to certain customer accounts offset by certain deferred revenue adjustments primarily in the United Kingdom (U.K.). The inventories measurement period adjustment of $10.9 related to updated fair value measurement adjustments of certain inventory items along with certain deferred revenue adjustments, which resulted in an unfavorable impact of $2.8 and $1.9 to cost of sales-systems for the three and nine months ended September 30, 2017, respectively. The measurement period adjustments for prepaid expenses and other current assets relate to certain advances to suppliers and other miscellaneous receivables, respectively. The measurement period adjustment for property, plant and equipment of $10.5 related to the final fair value measurement of an acquired building which resulted in an unfavorable impact of $4.9 to cost of sales-systems and a favorable impact of $0.2 to selling and administrative expense related finalization of depreciation expense for the three and nine months ended September 30, 2017. The measurement period adjustment to intangible assets for $29.0 related to a change in the underlying valuation assumptions used in the fair value measurement of acquired customer relationships which resulted in an unfavorable impact of $0.2 and $0.8 in selling and administrative expense for the three and nine months ended September 30, 2017, respectively. The deferred income tax measurement period adjustment of $5.8 related to the tax effects of adjustments. The deferred revenue measurement period adjustment of $19.6 primarily related to an adjustment to the inputs used in the fair value measurement primarily in the U.K. along with certain onerous contracts, which resulted in an unfavorable impact of $4.4 and $3.9 for the three and nine months ended September 30, 2017, respectively, which split near evenly between net sales-service and software and net sales-systems. The payroll and other benefits liabilities measurement period adjustment of $7.3 primarily related to the reduction of $8.2 related to the Delta Program restructuring accrual offset by certain bonus compensation accruals. The other current liabilities measurement period adjustment of $5.9 related primarily to certain onerous contracts and accrued taxes. The other noncurrent liabilities measurement period adjustment of $9.0 primarily relates to deferred income tax liabilities calculated in connection with the measurement period adjustments along with certain onerous contracts.

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Included in the purchase price allocation are acquired identifiable intangibles of $831.1 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 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	687.5
Other	various	various	6.3
Intangible assets			$831.1

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 allocated goodwill to its Services, Software and Systems reportable operating segments (refer to note 12).

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

	Three Months	Nine Months

	Ended September 30, 2017	Ended September 30, 2017
Net sales	$ 587.2	$ 1,846.6
Income (loss) from continuing operations before taxes	$ 17.9	$ (20.5)
Income (loss) attributable to Diebold Nixdorf, Incorporated	$ (2.5)	$ (41.5)

The Acquisition's income (loss) from continuing operations before taxes subsequent to the acquisition date includes purchase accounting pretax charges related to deferred revenue of $9.7 and $30.4, amortization of acquired intangibles of $30.2 and $98.0, and $4.7 and $1.5 depreciation expense as a result of the change in fair value and useful lives for the three and nine months ended September 30, 2017, respectively. The measurement period adjustment include an inventory valuation adjustment of $2.8 and $1.9 for the three and nine months ended September 30. 2017, respectively.

The Company incurred deal-related costs in connection with the Acquisition, of $28.1 and $53.3, which are included in selling, general and administrative expenses for the three and nine months ended September 30, 2016, respectively. No Acquisition-related deal costs have been incurred in 2017.

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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 nine months ended September 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:

	Three Months Ended September 30 2016	Nine Months Ended September 30 2016
Net sales	$ 1,292.4	$ 3,750.3
Gross profit	$ 294.9	$ 913.5
Operating profit	$ 15.8	$ 95.3
Net income (loss) attributable to Diebold Nixdorf, Incorporated [(1)]	$ (60.9)	$ 91.3
Net income (loss) attributable to Diebold Nixdorf, Incorporated per share - basic[(1)]	$ (0.81)	$ 1.22
Net income (loss) attributable to Diebold Nixdorf, Incorporated per share - diluted[(1)]	$ (0.80)	$ 1.21
Basic weighted-average shares outstanding	75.1	75.1
Diluted weighted-average shares outstanding	75.7	75.7

[(1)] Net income (loss) for the three and nine months ended September 30, 2016 includes income from discontinued operations, net of tax of $(4.6) and $143.7, respectively.

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 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 income	25.6
Redemption value adjustment	32.0
Redemption of shares	(2.7)
Reclassification of noncontrolling interest	386.7
Balance at September 30, 2017	$ 485.7

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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 $2.7 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 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. 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.

(in millions, except per share amounts)

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 three and nine months ended September 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 September 30,		Nine Months Ended September 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	$(28.8)	$(97.2)	$(104.6)	$(97.3)
Net income attributable to noncontrolling interests	6.6	0.5	20.2	1.6
Loss before discontinued operations, net of tax	(35.4)	(97.7)	(124.8)	(98.9)
Income (loss) from discontinued operations, net of tax	—	(4.6)	—	143.7
Net income (loss) attributable to Diebold Nixdorf, Incorporated	$(35.4)	$(102.3)	$(124.8)	$44.8
Denominator				
Weighted-average number of common shares used in basic earnings (loss) per share	75.5	70.9	75.4	67.0
Effect of dilutive shares [(1)]	—	—	—	0.6
Weighted-average number of shares used in diluted earnings (loss) per share	75.5	70.9	75.4	67.6
Basic earnings (loss) per share				
Loss from continuing operations, net of tax	$(0.47)	$(1.38)	$(1.66)	$(1.48)
Income (loss) from discontinued operations, net of tax	—	(0.06)	—	2.15
Net income (loss) attributable to Diebold Nixdorf, Incorporated	$(0.47)	$(1.44)	$(1.66)	$0.67
Diluted earnings (loss) per share				
Loss from continuing operations, net of tax	$(0.47)	$(1.38)	$(1.66)	$(1.46)
Income (loss) from discontinued operations, net of tax	—	(0.06)	—	2.12
Net income (loss) attributable to Diebold Nixdorf, Incorporated	$(0.47)	$(1.44)	$(1.66)	$0.66
Anti-dilutive shares				
Anti-dilutive shares not used in calculating diluted weighted-average shares	2.8	2.1	2.6	2.2

[(1)] Incremental shares of 0.8 and 0.6 shares for the three months ended September 30, 2017 and 2016, respectively, and 0.7 shares for the nine months ended September 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.

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Note 5: Equity

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Diebold Nixdorf, Incorporated shareholders' equity				
Balance at beginning of period	$587.2	$578.3	$591.4	$412.4
Comprehensive income (loss) attributable to Diebold Nixdorf, Incorporated	(22.5)	(107.0)	17.1	88.7
Common shares	—	12.4	0.7	12.8
Additional capital [(1)]	15.4	271.6	(9.3)	281.4
Treasury shares	(0.3)	(0.1)	(4.8)	(2.1)
Dividends paid	(7.6)	(19.0)	(22.9)	(57.0)
Balance at end of period	$572.2	$736.2	$572.2	$736.2
Noncontrolling interests				
Balance at beginning of period	$37.5	$23.7	$433.4	$23.1
Comprehensive income attributable to noncontrolling interests, net	8.4	386.9	23.7	387.5
Reclassification to redeemable noncontrolling interest	—	—	(386.7)	—
Reclassification of guaranteed dividend to accrued liabilities	(6.4)	—	(18.1)	—
Distributions to noncontrolling interest holders	—	—	(12.8)	—
Balance at end of period	$39.5	$410.6	$39.5	$410.6

(1) The decrease for the nine months ended September 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 September 30, 2017:

	Translation	Foreign Currency Hedges	Interest Rate Hedges	Pension and Other Post-retirement Benefits	Other	Accumulated Other Comprehensive Income (Loss)
Balance at June 30, 2017	$ (123.7)	$ (2.3)	$ 5.7	$ (92.3)	$ 0.3	$ (212.3)
Other comprehensive income (loss) before reclassifications [(1)]	14.1	(2.4)	0.3	—	—	12.0
Amounts reclassified from AOCI	—	—	—	1.0	—	1.0
Net current-period other comprehensive income (loss)	14.1	(2.4)	0.3	1.0	—	13.0
Balance at September 30, 2017	$ (109.6)	$ (4.7)	$ 6.0	$ (91.3)	$ 0.3	$ (199.3)

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

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

	Translation	Foreign Currency Hedges	Interest Rate Hedges	Pension and Other Post-retirement Benefits	Other	Accumulated Other Comprehensive Income (Loss)
Balance at June 30, 2016	$ (161.2)	$ (2.5)	$ (0.2)	$ (105.9)	$ 0.4	$ (269.4)
Other comprehensive income (loss) before reclassifications [(1)]	(4.3)	(0.4)	—	—	—	(4.7)
Amounts reclassified from AOCI	—	—	—	(0.1)	—	(0.1)
Net current-period other comprehensive income (loss)	(4.3)	(0.4)	—	(0.1)	—	(4.8)
Balance at September 30, 2016	$ (165.5)	$ (2.9)	$ (0.2)	$ (106.0)	$ 0.4	$ (274.2)

[(1)]Other comprehensive income (loss) before reclassifications within the translation component excludes $0.1 of translation attributable to noncontrolling interests.

The following table summarizes the changes in the Company's AOCI, net of tax, by component for the nine months ended September 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)]	141.6	1.0	1.8	—	—	144.4
Amounts reclassified from AOCI	—	—	(0.4)	(2.0)	—	(2.4)
Net current-period other comprehensive income (loss)	141.6	1.0	1.4	(2.0)	—	142.0
Balance at September 30, 2017	$ (109.6)	$ (4.7)	$ 6.0	$ (91.3)	$ 0.3	$ (199.3)

[(1)]Other comprehensive income (loss) before reclassifications within the translation component excludes $3.4 of translation attributable to noncontrolling interests.

The following table summarizes the changes in the Company's AOCI, net of tax, by component for the nine months ended September 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)]	50.1	(7.9)	—	—	—	42.2
Amounts reclassified from AOCI	—	—	(0.1)	1.8	—	1.7
	50.1	(7.9)	(0.1)	1.8	—	43.9

Net current-period other comprehensive income (loss)						
Balance at September 30, 2016	$ (165.5)	$ (2.9)	$ (0.2)	$ (106.0)	$ 0.4	$ (274.2)

(1) Other comprehensive income (loss) before reclassifications within the translation component excludes $(0.5) of translation attributable to noncontrolling interests.

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

	Three Months Ended		Nine Months Ended		Affected Line Item in the Statement of Operations
	2017	2016	2017	2016	
Interest rate hedges	$—	$—	$(0.4)	$(0.1)	Interest expense
Pension and post-retirement benefits:					
Net actuarial loss amortization (net of tax of $(0.5), $(0.3), $0.5 and $(1.3), respectively)	1.0	(0.1)	(2.0)	1.8	(1)
Total reclassifications for the period	$1.0	$(0.1)	$(2.4)	$1.7	

(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 $8.1 and $4.1 for the three months ended September 30, 2017 and 2016, respectively, and was $23.1 and $14.2 for the nine months ended September 30, 2017 and 2016, respectively.

Options outstanding and exercisable as of September 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 nine months ended September 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	$ 26.57		
Outstanding at September 30, 2017	2.3	$ 29.68	8	$ —
Options exercisable September 30, 2017	1.1	$ 32.15	6	$ —
Options vested and expected to vest September 30, 2017	2.2	$ 29.80	8	$ —

(1) The aggregate intrinsic value (the difference between the closing price of the Company's common shares on the last trading day of the third 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 September 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.

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

	Number of Shares	Weighted-Average Grant-Date Fair Value
RSUs:		
Non-vested at January 1, 2017	1.2	$ 29.50
Forfeited	(0.1)	$ 28.87
Vested	(0.5)	$ 30.77
Granted	0.7	$ 26.82
Non-vested at September 30, 2017	1.3	$ 27.73
Performance Shares:		
Non-vested at January 1, 2017	1.2	$ 31.77
Forfeited	(0.3)	$ 37.40
Vested	(0.2)	$ 23.64
Granted	1.8	$ 31.32
Non-vested at September 30, 2017	2.5	$ 31.38

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 September 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 the loss from continuing operations was 1.7 percent for the three months ended September 30, 2017 and 36.2 percent for the nine months ended September 30, 2017. The tax rate for the three months ended September 30, 2017 reflects an unfavorable adjustment relating to year-to-date changes in the Company's valuation allowance as well as higher than anticipated losses incurred in jurisdictions with a full valuation allowance throughout the period. During the three and nine months ended September 30, 2017, the overall reduction in the tax benefit was offset by the repatriation of foreign earnings and the associated recognition of foreign tax credits as well as favorable discrete items associated with the release of uncertain tax positions due to the expiration of the statute of limitations and reductions in the Company's deferred tax liability relating to undistributed foreign subsidiary earnings.

The effective tax rate on loss from continuing operations was 16.2 percent for the three months ended September 30, 2016 and 26.2 percent for the nine months ended September 30, 2016. The tax rate benefit on the loss for the three months and nine months ended September 30, 2016 was negatively impacted due to the recognition of unfavorable discrete items and expenses relating to the Acquisition. The tax rate benefit on the loss for the nine months ended September 30, 2016 was also impacted by the favorable release of an uncertain tax position due to the expiration of the statute of limitations. The rates for both periods were negatively impacted by an increase in the deferred tax liability associated with the Company's undistributed foreign subsidiary earnings. The non-taxable foreign currency hedges related to the Acquisition generated a loss for the three months ended September 30, 2016 and a net gain for the nine months ended September 30, 2016, resulting in a decrease in the tax benefit for the three months ended September 30, 2016 and an increase in the tax benefit for the nine months ended September 30, 2016.

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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 nine months ended September 30, 2017 and 2016.

The Company's investments subject to fair value measurement consist of the following:

	Cost Basis	Unrealized Gain	Fair Value
As of September 30, 2017			
Short-term investments			
Certificates of deposit	$ 64.0	$ —	$ 64.0
Long-term investments			
Assets held in a rabbi trust	$ 7.7	$ 1.4	$ 9.1
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

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 are not significant subsidiaries and are 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.

Securities and other investments also includes a cash surrender value of insurance contracts of $77.4 and $77.8 as of September 30, 2017 and December 31, 2016, respectively. In addition, securities and other investments includes interest rate swap assets carrying value of $6.0 and $8.4 as of September 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 nine months ended September 30, 2017 and 2016:

Total

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

(in millions, except per share amounts)

There were no significant changes in provision for credit losses, recoveries and write-offs during the nine months ended September 30, 2017 and 2016. As of September 30, 2017, finance leases and notes receivable individually evaluated for impairment were $32.4 and $21.0, respectively, of which $23.4 and $13.3, respectively, relates to the Acquisition, with no provision recorded. As of September 30, 2016, finance leases and notes receivable individually evaluated for impairment were $78.7 and $20.7, respectively, of which $24.3 and $12.2, respectively, relates to the Acquisition. As of September 30, 2017 and December 31, 2016, the Company's finance lease receivables in Brazil were $1.5 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 September 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 $4.0 as of September 30, 2017 and December 31, 2016 and was fully reserved.

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

	September 30, 2017	December 31, 2016
30-59 days past due	$ —	$ 0.1
60-89 days past due	—	—
> 89 days past due (1)	4.0	3.9
Total past due	$ 4.0	$ 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:

	September 30, 2017	December 31, 2016
Finished goods	$ 357.0	$ 330.5
Service parts	267.8	235.2
Raw materials and work in process	183.0	172.0
Total inventories	$ 807.8	$ 737.7

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Note 12: Goodwill and Other Assets

The Company’s three reportable operating segments are Services, Software and Systems. The Company has 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	5.6	—	—	5.6
Goodwill adjustment	(1.1)	(1.0)	(0.8)	(2.9)
Currency translation adjustment	56.9	27.1	20.9	104.9
Goodwill	$951.4	$251.0	$194.2	$1,396.6
Accumulated impairment losses	(290.7)	—	—	(290.7)
Balance at September 30, 2017	$660.7	$251.0	$194.2	$1,105.9

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 $5.6 acquired goodwill from Moxx and Visio primarily relates to anticipated synergies achieved through increased scale and higher utilization of the service organization.

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 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 nine months ended September 30, 2017.

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The following summarizes information on intangible assets by major category:

	September 30, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Internally-developed software	$184.0	$ (86.9)	$ 97.1	$151.0	$ (53.2)	$ 97.8
Development costs non-software	53.9	(30.8)	23.1	48.4	(9.7)	38.7
Customer relationships	727.7	(86.1)	641.6	621.7	(25.4)	596.3
Other intangibles	87.7	(56.0)	31.7	85.3	(45.2)	40.1
Total	$1,053.3	$ (259.8)	$ 793.5	$906.4	$ (133.5)	$ 772.9

Amortization expense on capitalized software of $8.6 and $6.7 was included in service and software cost of sales for the three months ended September 30, 2017 and 2016, respectively, and $27.9 and $12.5 for the nine months ended September 30, 2017 and 2016, respectively. The Company's total amortization expense, including deferred financing costs, was $42.7 and $24.8 for the three months ended September 30, 2017 and 2016, respectively, and $121.6 and $34.2 for the nine months ended September 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:

	September 30, 2017	December 31, 2016
Notes payable		
Uncommitted lines of credit	$24.2	$9.4
Term Loan A Facility	21.6	17.3
Delayed Draw Term Loan A Facility	15.6	—
Term Loan B Facility - USD	4.8	10.0
Term Loan B Facility - Euro	4.9	3.7
European Investment Bank	—	63.1
Other	0.8	3.4
	$71.9	$106.9
Long-term debt		
Revolving Facility	$120.0	$—
Term Loan A Facility	184.0	201.3
Delayed Draw Term Loan A Facility	231.3	—
Term Loan B Facility - USD	467.9	787.5
Term Loan B Facility - Euro	482.9	363.5
2024 Senior Notes	400.0	400.0
Other	1.2	0.8
	1,887.3	1,753.1
Long-term deferred financing fees	(52.8)	(61.7)
	$1,834.5	$1,691.4

As of September 30, 2017, the Company had various international short-term uncommitted lines of credit with borrowing limits of $191.4, in the aggregate. The weighted-average interest rate on outstanding borrowings on the short-term uncommitted lines of credit as of September 30, 2017 and December 31, 2016 was 9.10 percent and 9.87 percent, respectively, and primarily relate to short-term uncommitted lines of credit in India. Short-term uncommitted lines mature in less than one year. The amount available under the short-term uncommitted lines at September 30, 2017 was $167.2, in the aggregate.

(in millions, except per share amounts)

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

	Nine Months Ended September 30,	
	2017	2016
Revolving credit facility borrowings (repayments), net	$120.0	$(168.0)
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	57.7	44.6
	$381.0	$1,825.7
Other debt repayments		
Payments on 2006 Senior Notes	$—	$(225.0)
Payments on Term Loan A Facility under the Credit Agreement	(12.9)	(8.6)
Payments on Delayed Draw Term Loan A Facility under the Credit Agreement	(3.1)	—
Payments on Term Loan B Facility - USD under the Credit Agreement	(324.9)	—
Payments on Term Loan B Facility - Euro under the Credit Agreement	(3.4)	—
Payments on European Investment Bank	(63.1)	—
International short-term uncommitted lines of credit and other repayments	(26.1)	(185.6)
	$(433.5)	$(419.2)

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 September 30, 2017 and December 31, 2016 was 3.25 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 September 30, 2017 was $400.0.

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 (the 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 millions, except per share amounts)

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 September 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 nine months ended September 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	Initial Term (Years)
Credit Agreement facilities			
Revolving Facility	LIBOR + 2.00%	December 2020	5
Term Loan A Facility	LIBOR + 2.00%	December 2020	5
Delayed Draw Term Loan A Facility	LIBOR + 2.00%	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 September 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 U.K., 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 September 30:

	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
Components of net periodic benefit cost				
Service cost	$3.6	$2.8	$—	$—
Interest cost	7.9	7.1	0.1	0.2
Expected return on plan assets	(8.6)	(8.1)	—	—
Recognized net actuarial loss	1.4	1.5	—	—
Curtailment loss	—	(0.2)	—	—
Net periodic pension benefit cost	$4.3	$3.1	$0.1	$0.2

(in millions, except per share amounts)

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

	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
Components of net periodic benefit cost				
Service cost	$10.8	$4.6	$—	$—
Interest cost	23.7	19.5	0.3	0.4
Expected return on plan assets	(25.8)	(21.6)	—	—
Recognized net actuarial loss	4.2	4.3	—	0.1
Curtailment loss	—	(0.2)	—	—
Net periodic pension benefit cost (1)	$12.9	$6.6	$0.3	$0.5

(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 nine months ended September 30, 2017 and 2016, contributions of $20.2 and $3.5, 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 September 30, 2017, the maximum future payment obligations related to these various guarantees totaled $192.3, 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 September 30, 2017 and 2016, the Company's warranty liability balances were $81.2 and $106.5, respectively.

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

	2017	2016
Balance at January 1	$101.6	$73.6
Current period accruals	11.1	24.6
Current period settlements	(37.2)	(42.8)
Acquired warranty accruals	—	43.8

Currency translation adjustment	5.7	7.3
Balance at September 30	$81.2	$106.5

Note 16: Commitments and Contingencies

Contractual Obligations

At September 30, 2017, the Company had purchase commitments due within one year totaling $7.2 for materials and services 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 September 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 condensed 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 challenged the 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, challenged 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. In August 2017, the Supreme Court of Thailand ruled in the Company's favor, finding that Customs' attempt to collect duties for importation of ATMs is improper. In addition, in August 2016 and February 2017, the tax court of appeals rendered decisions in favor of the Company related to more than half of the assessments at issue. During the third quarter of 2017, the surviving matters remain at various stages of the appeals process and the Company will use the Supreme Court's decision in support of its position in those matters. Management remains confident that the Company has a valid legal position in these appeals. Accordingly, the Company does not have any amount accrued for this contingency.

At September 30, 2017 and December 31, 2016, the Company had an accrual related to the Brazil indirect tax matter disclosed above of $7.5 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 September 30, 2017 to be up to approximately $168.1 for its material indirect tax matters, of which $48.5 and $26.0, 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.

(in millions, except per share amounts)

Legal Contingencies

At September 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 September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Non-designated hedges and interest rate swaps	Interest expense	$(1.5)	$(1.1)	$(3.6)	$(3.2)
Gain on foreign currency option contracts - acquisition related	Miscellaneous, net	—	—	—	35.6
Foreign exchange forward contracts and cash flow hedges	Foreign exchange gain (loss), net	2.3	0.5	6.3	(0.2)
Foreign exchange forward contracts - acquisition related	Miscellaneous, net	—	(3.6)	—	(26.3)
Total		$0.8	$(4.2)	$2.7	$5.9

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 $0.1 and $(0.3) as of September 30, 2017 and December 31, 2016, respectively. The net gain (loss) recognized in AOCI on net investment hedge derivative instruments was $(2.7) and $(0.6) in the three months ended September 30, 2017 and 2016, respectively, and $(4.1) and $(12.1) in the nine months ended September 30, 2017 and 2016, respectively.

(in millions, except per share amounts)

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 $(12.0) in the three months ended September 30, 2017 and $(37.8) for the nine months ended September 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. On September 21, 2017, the Company de-designated €100.0 of its euro-denominated Term Loan B Facility.

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 $0.8 and $2.6 as of September 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 United States Dollar (USD) and Great Britain Pound (GBP) as the euro (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 September 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)	14	77.8	USD	69.0	EUR
Currency forward agreements (EUR-GBP)	13	30.8	GBP	35.1	EUR
Currency forward agreements (EUR-CAD)	1	2.0	CAD	1.3	EUR
Currency forward agreements (EUR-CZK)	2	161.6	CZK	6.1	EUR

The remaining net currency risk not hedged by forward currency transactions amounts to approximately $25.6 and £8.0 for the nine months ended September 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 €5.9 higher, and €7.1 lower, respectively for the nine months ended September 30, 2017. If the euro had been revalued and devalued respectively by 10 percent against pounds sterling as of September 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 nine months ended September 30, 2017.

Foreign Currency Option and Forward 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 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 was $1.1514. This foreign currency forward contract was 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 income (expense) miscellaneous, net on the condensed consolidated statements of operations.

During the three and nine months ended September 30, 2016, the Company recorded a $(3.6) and $9.3, respectively, mark-to-market gain (loss) on foreign currency and forward option contracts reflected in miscellaneous, net as these contracts were settled in third quarter of 2016.

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 September 30, 2017 and December 31, 2016 was €(6.1) and €(6.3), respectively. Because this swap was accounted for as a cash flow hedge, the change in fair value of €0.2 was directly recognized in AOCI. For the nine months ended September 30, 2017, the amount reclassified from equity to profit or loss was not significant.

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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:

		September 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	$64.0	$ 64.0	$ —	$64.1	$ 64.1	$ —
Assets held in rabbi trusts	Securities and other investments	9.1	9.1	—	8.5	8.5	—
Foreign exchange forward contracts	Other current assets	6.8	—	6.8	7.2	—	7.2
Interest rate swaps	Other current assets	1.0	—	1.0	—	—	—
Interest rate swaps	Securities and other investments	6.0	—	6.0	8.4	—	8.4
Total		$86.9	$ 73.1	$ 13.8	$88.2	$ 72.6	$ 15.6
Liabilities							
Foreign exchange forward contracts	Other current liabilities	$3.6	$ —	$ 3.6	$7.7	$ —	$ 7.7
Interest rate swaps	Other current liabilities	7.2	—	7.2	6.9	—	6.9
Deferred compensation	Other liabilities	9.1	9.1	—	8.5	8.5	—
Total		$19.9	$ 9.1	$ 10.8	$23.1	$ 8.5	$ 14.6

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

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

	September 30, 2017		December 31, 2016	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Notes payable	$71.9	$71.9	$106.9	$106.9
Revolving Facility	120.0	120.0	—	—
Term Loan A Facility	184.0	184.0	201.3	201.3
Delayed Draw Term Loan A Facility	231.3	231.3	—	—
Term Loan B Facility - USD	467.9	467.9	787.5	787.5
Term Loan B Facility - Euro	482.9	482.9	363.5	363.5
2024 Senior Notes	433.7	400.0	426.0	400.0
Other	1.2	1.2	0.8	0.8

Long-term deferred financing fees	(52.8)	(52.8)	(61.7)	(61.7)
Long-term debt	1,868.2	1,834.5	1,717.4	1,691.4
Total debt instruments	$1,940.1	$1,906.4	$1,824.3	$1,798.3

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

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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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Cost of sales – services and software	$ 14.0	$ 2.0	$ 29.6	$ 3.7
Cost of sales – systems	1.2	0.3	2.8	0.3
Selling and administrative expense	2.6	5.0	13.4	8.6
Research, development and engineering expense	(0.4)	0.1	(1.1)	0.2
Total	$ 17.4	$ 7.4	$ 44.7	$ 12.8

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Severance				
Services	$ 14.2	$ 1.0	$ 33.1	$ 3.3
Software	1.0	2.0	0.8	2.5
Systems	1.9	0.7	5.4	1.6
Corporate	0.3	3.7	5.4	5.4
Total severance	$ 17.4	$ 7.4	$ 44.7	$ 12.8

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 $4.3 and $9.7 for the three and nine months ended September 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 $17.4 and $44.7 for the three and nine months ended September 30, 2017 related to DN2020. The Company anticipates additional restructuring costs of approximately $50 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. During the third quarter of 2017, the Company recorded a measurement period adjustment of $8.2 to the acquired restructuring accrual resulting in a final fair value of $37.3 as of September 30, 2017. The Company incurred restructuring charges of $3.1 for the three and nine months

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ended September 30, 2016, respectively. As of September 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 nine months ended September 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 September 30, 2017:

	DN2020 Plan	Delta Program	Strategic Alliance	Total
Services	$ 54.5	$ 0.1	$ 2.0	$56.6
Software	6.8	1.8	0.1	8.7
Systems	18.7	—	3.6	22.3
Corporate	7.5	1.3	—	8.8
Total	$ 87.5	$ 3.2	$ 5.7	$96.4

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

	2017	2016
Balance at January 1	$89.9	$4.7
Liabilities incurred	44.7	12.8
Liabilities acquired	(8.2)	45.5
Liabilities paid/settled	(57.8)	(11.7)
Balance at September 30,	$68.6	$51.3

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.

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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		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net sales summary by segment				
Services	$605.9	$484.6	$1,759.3	$1,131.1
Software	119.8	86.4	337.9	139.4
Systems	397.0	412.3	1,262.2	802.4
Total revenue	$1,122.7	$983.3	$3,359.4	$2,072.9
Segment operating profit				
Services	$88.8	$77.5	$247.0	$211.5
Software	11.1	7.6	22.8	(0.5)
Systems	(1.3)	(5.0)	(6.8)	(34.1)
Total segment operating profit	98.6	80.1	263.0	176.9
Corporate charges not allocated to segments [1]	(16.1)	(32.2)	(98.4)	(86.7)
Restructuring charges	(17.4)	(7.4)	(44.7)	(12.8)
Net non-routine expense	(72.7)	(127.2)	(206.2)	(159.5)
	(106.2)	(166.8)	(349.3)	(259.0)
Operating profit (loss)	(7.6)	(86.7)	(86.3)	(82.1)
Other income (expense)	(21.7)	(29.3)	(77.7)	(49.7)
Income (loss) from continuing operations before taxes	$(29.3)	$(116.0)	$(164.0)	$(131.8)

(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 $206.2 for the nine months ended September 30, 2017 was due to legal, acquisition and divestiture expenses of $16.1 inclusive of the mark-to-market impact on Diebold Nixdorf AG stock options and Acquisition integration expenses of $54.8 primarily within selling and administrative expense and purchase accounting pretax charges, which included deferred revenue of $30.4 and amortization of acquired intangibles of $98.0 and an increase in cost of sales of $1.9 related to measurement period adjustments of inventory. Net non-routine expense of $159.5 for the nine months ended September 30, 2016 was primarily due to legal, acquisition and divestiture related costs of $96.3 within selling and administrative expense.

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

	Three Months Ended	Nine Months Ended
	September 30,	September 30,

	2017	2016	2017	2016
Banking				
Services and software	$564.2	$483.9	$1,651.2	$1,187.3
Systems	273.6	279.0	850.1	647.5
Total banking	837.8	762.9	2,501.3	1,834.8
Retail				
Services and software	161.5	87.1	446.0	87.1
Systems	123.4	133.3	412.1	151.0
Total retail	284.9	220.4	858.1	238.1
	$1,122.7	$983.3	$3,359.4	$2,072.9

Note 21: Divestitures

During 2017, the Company divested its legacy Diebold business in the U.K. 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. As part of the Company's routine efforts to evaluate its business operations, during 2017, the Company agreed to sell its electronic security (ES) businesses located in Mexico and Chile to a wholly-owned subsidiary of Securitas AB and Avant, respectively. The Company recorded a pre-tax gain of $2.2 related to these transactions. The combined net sales of the divestitures represented less than one percent of total net sales of the Company for 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 will hold 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 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.

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

	Three Months Ended September 30, 2016	Nine Months Ended September 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	—	