DIEBOLD INC
Form 10-K
February 29, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
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, Incorporated
(Exact name of registrant as specified in its charter)

Ohio	34-0183970
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5995 Mayfair Road, P.O. Box 3077, North Canton, Ohio	44720-8077
(Address of principal executive offices)	(Zip Code)

Registrants telephone number, including area code (330) 490-4000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares $1.25 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes o No x
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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

(do not check if a smaller reporting company)
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

Approximate aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2015, based upon the closing price on the New York Stock Exchange on June 30, 2015, was $2,268,939,680.

Number of shares of common stock outstanding as of February 24, 2016 was 65,136,858.

DOCUMENTS INCORPORATED BY REFERENCE
Listed hereunder are the documents, portions of which are incorporated by reference, and the parts of this Form 10-K into which such portions are incorporated:
Diebold, Incorporated Proxy Statement for 2016 Annual Meeting of Shareholders to be held on or about April 21, 2016, portions of which are incorporated by reference into Part III of this Form 10-K.

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PART I

ITEM 1: BUSINESS
(dollars in millions)

GENERAL
Diebold, Incorporated (collectively with its subsidiaries, the Company) was incorporated under the laws of the state of Ohio in August 1876, succeeding a proprietorship established in 1859.
The Company provides the services, software and technology that connect people around the world with their money — bridging the physical and digital worlds of cash conveniently, securely and efficiently. Since its founding, the Company has evolved to become a leading provider of exceptional self-service innovation, security and services to financial, retail, commercial and other markets. At December 31, 2015, the Company employed approximately 16,000 associates globally, of which approximately 1,000 relate to the Company's recently divested electronic security business. The Company’s service staff is one of the financial industry’s largest, with professionals in more than 600 locations and businesses in more than 90 countries worldwide. The Company continues to execute its multi-year transformation, Diebold 2.0, with the primary objective of transforming the Company into a world-class, services-led and software-enabled company, supported by innovative hardware.
Diebold 2.0 consists of four pillars:

- Cost - Streamline the cost structure and improve near-term delivery and execution.
- Cash - Generate increased free cash flow in order to fund the investments necessary to drive profitable growth, while preserving the ability to return value to shareholders.
- Talent - Attract and retain the talent necessary to drive innovation and the execution of the transformation strategy.
- Growth - Return Diebold to a sustainable and profitable growth trajectory.

As part of the transformation, the Company has identified targeted savings of $200.0 that are expected to be fully realized by the end of 2017. Through the end of 2015, the Company has achieved $150.0 of gross cost savings. The Company has been reinvesting approximately 50 percent of the cost savings to drive long-term growth and operational efficiency.
The Company’s multi-year transformation plan consists of three phases: 1) Crawl, 2) Walk, and 3) Run. During the “Crawl” phase, Diebold was primarily focused on taking cost out of the business and reallocating a portion of these savings as reinvestments in systems and processes. The Company engaged Accenture LLP (Accenture) in a multi-year outsourcing agreement to provide finance and accounting and procurement business process services. With respect to talent, the Company attracted new leaders from top technology and services companies.
During the second half of 2015, the Company fully transitioned into the “Walk” phase of Diebold 2.0 whereby the Company will continue to build on each pillar of cost, cash, talent and growth. The main difference in the “Walk” phase will be a greater emphasis on increasing the mix of revenue from services and software, as well as shaping the Company’s portfolio of businesses. As it relates to increasing the mix of services and software, the Company has sharpened its focus on pursuing and winning managed services and multi-vendor services contracts. For the software business, the acquisition of Phoenix Interactive Design, Inc. (Phoenix) has significantly enhanced the Company's ability to capture more of the market for automated teller machine (ATM), multi-vendor, marketing and asset management software. All of the Company’s global software activities are being coordinated through the new development center in London, Ontario.
As it relates to shaping the portfolio of businesses, the Company’s achievements in 2015 are consistent with its strategy of transforming into a world-class, services-led, software-enabled company, supported by innovative hardware.

- On March 16, 2015 - Diebold acquired Phoenix.
- During the first half of 2015, Diebold divested its Venezuela business.
- On October 25, 2015 - Diebold entered into an agreement to divest its North America electronic security business to Securitas AB.

- During 2015 - Diebold narrowed its scope in the Brazil other business to primarily focus on lottery and elections.
- On November 23, 2015 - Diebold and Wincor Nixdorf entered into a business combination agreement (Business Combination) to create a premier self-service company for financial and retail markets.
- On December 18, 2015 - Diebold announced it is forming a new joint venture with Inspur, one of China’s leading IT companies, to provide ATMs and kiosks to the China market.

All of these decisions enable the Company to focus its resources and to pursue growth opportunities in the dynamic, global self-service industry. The Company will continue to execute on its “Walk” phase objectives throughout 2016.

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SERVICE AND PRODUCT SOLUTIONS
The Company has two core lines of business: Financial Self-Service (FSS) and Security Solutions, which the Company integrates based on its customers' needs. Financial information for the service and product solutions can be found in note 20 to the consolidated financial statements, which is contained in Item 8 of this annual report on Form 10-K.

Financial Self-Service
The Company offers an integrated line of self-service solutions and technology, including comprehensive ATM outsourcing, ATM security, deposit automation, recycling and payment terminals and software. The Company also offers advanced functionality terminals capable of supporting mobile card-less transactions and two-way video technology to enhance bank branch automation. The Company is a global supplier of ATMs and related services and holds a leading market position in many countries around the world.

Self-Service Support & Maintenance. From analysis and consulting to monitoring and repair, the Company provides value and support to its customers every step of the way. Services include installation and ongoing maintenance of our products, OpteView® remote services, availability management, branch automation and distribution channel consulting. Additionally, service revenue includes services and parts the Company provides on a billed-work basis that are not covered by warranty or service contract.

Value-added Services.

- Managed Services and Outsourcing - The Company provides end-to-end managed services and full outsourcing solutions, which include remote monitoring, troubleshooting for self-service customers, transaction processing, currency management, maintenance services and full support via person-to-person or online communication. This helps customers maximize their self-service channel by incorporating new technology, meeting compliance and regulatory mandates, protecting their institutions and reducing costs, all while ensuring a high level of service for their customers. The Company provides value to its customers by offering a comprehensive array of hardware-agnostic managed services and support.

- Professional Services - The Company's service organization provides strategic analysis and planning of new systems, systems integration, architectural engineering, consulting and project management that encompass all facets — services, software and technology — of a successful self-service implementation. The Company's Advisory Services team collaborates with our clients to help define the ideal customer experience, modify processes, refine existing staffing models and deploy technology to meet branch automation objectives.

- Multi-vendor Services - The Company recently sharpened its focus on securing multi-vendor services contracts primarily in North America. With the prevalence of mixed ATM fleets at financial institutions, the ability to service competitive units allows the Company to offer a differentiated, full service solution to its customers.

Self-Service Software. The Company offers integrated, multi-vendor ATM software solutions designed to meet the evolving demands of a customer's self-service network. The Company has enhanced its self-service software platforms with the acquisition of Phoenix. There are five primary types of self-service software that Diebold provides for customers, which include 1) terminal application software, 2) automation technology software, 3) operational software, 4) marketing software and 5) security. Terminal application software provides the ability to integrate seamlessly into traditional and multi-vendor environments while providing advanced service options to bring new functions quicker to market and improve the customer experience while providing the Financial Institution (FI) the ability to host this centrally or distribute it at their terminals. Automation technology software enables the self-service platform to transform into a robust enterprise banking solution that can connect seamlessly to other banking channels and systems for a consistent user experience, advanced functionality and greater operational efficiencies. Operational software provides centralized management of the entire self-service fleet, providing better intelligence and operations for improved efficiencies and cost control using data analytics. Marketing software allows FIs to provide personalized interaction with the consumer through the self-service channel, enhancing customer satisfaction and revenue generation. All software has enhanced security functions built-in for providing FIs the flexibility and enhanced consumer experience while ensuring that they are the trusted partners in the eco-system.

Self-Service Products. The Company offers a wide variety of self-service solutions. Self-service products include a full range of teller automation terminals as well as ATMs capable of cash dispensing and a number of more advanced functionalities, including check and cash deposit automation, cash recycling, mobile capabilities and two-way video.

In 2015, the Company completed the rollout of a suite of next-generation self-service terminals (Diebold Series), which offer a wide range of available capabilities and give Diebold the most modern fleet of ATMs in the market. The Diebold Series terminal consists of three new lines of ATMs-standard market, extended branch and high-performance. Each line is designed to meet specific market and branch needs: (1) the standard line is ideal for high-growth areas with mass-market applications; (2) the extended branch line offers rich transaction sets and advanced functionalities; (3) and the high-performance line offers highly personalized self-service experiences that are ideal for high-traffic, high-volume environments. The new self-service platform, paired with Diebold's industry-leading services and software, provide a complete end-to-end solution for FIs.

A significant demand driver in the global FSS marketplace is branch automation. The Company serves as a strategic partner to its customers by offering a complete branch automation solution that encompasses services, software and technology, as well as

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addresses the complete value chain of consult, design, build and operate. The concept is to help FIs reduce their costs by migrating routine transactions, typically done inside the branch, to lower-cost automated channels, while also growing revenue, and adding convenience and security for the banks' customers. The Company's Advisory Services team collaborates with our clients to help define the ideal customer experience, modify processes, refine existing staffing models and deploy technology to meet branch automation objectives. The Diebold 9900 in-lobby teller terminal (ILT) provides branch automation technology by combining the speed and accuracy of a self-service terminal with intelligence from the bank’s core systems, as well as the ability to complete higher value transactions away from the teller line.

The Company remains committed to collaborative innovation with its customers. In 2015, the Company introduced two new self-service concepts, Irving and Janus. Irving utilizes a number of different consumer recognition technologies and a secure mobile phone application to execute cardless transactions. The Company is a leader in self-service biometrics and the Irving concept leverages these capabilities with iris-scanning ATM technology that is being piloted by one of the largest banks in the United States. Janus is a dual-sided self-service terminal, which features video teller access and is capable of serving two consumers simultaneously.

Security Solutions

From the safes and vaults that the Company first manufactured in 1859 to the full range of physical and electronic security offerings it provides today, the Company’s security solutions combine an extensive services portfolio and advanced products to help address its customers’ unique needs. The Company provides its customers with the latest technological advances to better protect their assets, improve their workflow and increase their return on investment. All of these solutions are backed with experienced sales, installation and service teams. The Company is a leader in providing physical and electronic security systems as well as assisted transactions, providing total security systems solutions to financial, commercial, retail, and other markets.

Physical Security. The Company provides services for a portfolio of physical security offerings, in addition to serving as a national locksmith. The product portfolio consists of two primary product groups, facility products and barrier solutions. Facility products include pneumatic tube systems for drive-up lanes, as well as video and audio capability to support remote transactions. Barrier solutions include vaults, safes, depositories, bullet-resistive items and under-counter equipment. The Company recently launched its VeraPass® barrier solution, which is a unique access solution for FIs, retailers, and commercial property management firms that enhances the management of locks and keys.

Electronic Security. The Company provides a broad range of electronic security services and products, as well as monitoring solutions. The Company provides security monitoring solutions, including remote monitoring and diagnostics, fire detection, intrusion protection, managed access control, energy management, remote video management and storage, logical security and web-based solutions through its SecureStat® platform.

On October 25, 2015, the Company entered into a definitive asset purchase agreement to divest its North America-based electronic security business. For ES to continue its growth, it would require resources and investment that Diebold is not committed to make given its focus on the self-service market. On February 1, 2016, the Company divested its North America electronic security business to Securitas AB for an aggregate purchase price of $350.0 in cash, 10.0% of which is contingent on the successful transition of certain customer relationships, which management expects to receive full payment of $35.0 in the first quarter of 2016 now that all contingencies for this payment have been achieved. The Company has also agreed to provide certain transition services to Securitas AB after the closing, including providing a $6.0 credit for such services. As a result, North America electronic security financial results are reported as discontinued operations for the periods presented in this annual report on Form 10-K.

The continuing electronic security business net sales were $67.3, $80.2 and $76.2 for the years ended December 31, 2015, 2014 and 2013, respectively.

Brazil Other

The Company offers election, lottery and information technology solutions to customers in Brazil. The Company provides voting machines for official elections in Brazil. The Company also provides the terminals for the governmental lottery and correspondent bank, which are distributed in more than 11,000 locations across the country. During 2015, the Company narrowed its scope in the Brazil other business to primarily focus on lottery and elections to help rationalize its solution set in that market.

OPERATIONS

The Company’s operating results and the amount and timing of revenue are affected by numerous factors, including production schedules, customer priorities, sales volume and sales mix. During the past several years, the Company has changed the focus of its self-service business to that of a total solutions provider with a focus on services and software.

The principal raw materials used by the Company in its manufacturing operations are steel, plastics, electronic parts and components, and spare parts, which are purchased from various major suppliers. These materials and components are generally available in ample quantities.

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The Company carries working capital mainly related to trade receivables and inventories. Inventories generally are only manufactured or purchased as orders are received from customers. The Company's normal and customary payment terms generally range from 30 to 90 days from date of invoice. The Company generally does not offer extended payment terms. The Company also provides financing arrangements to customers that are largely classified and accounted for as sales-type leases. As of December 31, 2015, the Company's net investment in finance lease receivables was $74.9.

SEGMENTS AND FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS
The Company's operations are comprised of four geographic segments: North America (NA), Asia Pacific (AP), Europe, Middle East and Africa (EMEA), and Latin America (LA). The four geographic segments sell and service FSS and security systems around the globe, as well as elections, lottery and information technology solutions in Brazil other, through wholly-owned subsidiaries, joint ventures and independent distributors in most major countries.

Sales to customers outside the United States in relation to total consolidated net sales were $1,405.0 or 58.1 percent in 2015, $1,698.9 or 62.1 percent in 2014 and $1,477.5 or 57.2 percent in 2013.

Property, plant and equipment, net, located in the United States totaled $130.4, $116.5 and $101.4 as of December 31, 2015, 2014 and 2013, respectively, and property, plant and equipment, net, located outside the United States totaled $44.9, $49.2 and $56.4 as of December 31, 2015, 2014 and 2013, respectively.

Additional financial information regarding the Company's international operations is included in note 20 to the consolidated financial statements, which is contained in Item 8 of this annual report on Form 10-K. The Company's non-U.S. operations are subject to normal international business risks not generally applicable to domestic business. These risks include currency fluctuation, new and different legal and regulatory requirements in local jurisdictions, political and economic changes and disruptions, tariffs or other barriers, potentially adverse tax consequences and difficulties in staffing and managing foreign operations.

PRODUCT BACKLOG
The Company's product backlog, excluding the North America electronic security business, was $607.5 and $611.1 as of December 31, 2015 and 2014, respectively. The backlog includes orders estimated or projected to be shipped or installed within 12 months. Although the Company believes the orders included in the backlog are firm, some orders may be canceled by customers without penalty, and the Company may elect to permit cancellation of orders without penalty where management believes it is in the Company's best interests to do so. Historically, the Company has not experienced significant cancellations within its product backlog. Additionally, over 50 percent of the Company's revenues are derived from its service business, for which backlog information is not measured. Therefore, the Company does not believe that its product backlog, as of any particular date, is necessarily indicative of revenues for any future period.

COMPETITION
As described in more detail below, the Company participates in many highly competitive businesses in the services, software and technology space, with a mixture of local, regional and/or global competitors in its markets. In addition, the competitive environment for these types of solutions is evolving as the Company's customers are transforming their businesses utilizing innovative technology. Therefore, the Company's product and service solutions must also provide cutting-edge capabilities to meet the customers emerging needs and compete with new innovators. The Company distinguishes itself by providing unique value with a wide range of innovative solutions to meet customers' needs.

The Company believes, based upon outside independent industry surveys from Retail Banking Research (RBR), that it is an exceptional service provider for and manufacturer of self-service solutions in the United States and internationally. The Company maintains a global service infrastructure that allows it to provide services and support to satisfy its customers' needs. Many of the Company's customers are beginning to adopt branch automation solutions to transform their branches, which will improve the customer experience and enhance efficiency through the utilization of automated transactions, mobile solutions and other client-facing technologies. As the trend towards branch automation continues to build more momentum, the traditional lines of "behind the counter" and "in front of the counter" are starting to blur, which is allowing for more entrants into the market. As customer requirements evolve, separate markets will converge to fulfill new customer demand. The Company expects that this will increase the complexity and competitive nature of the business.

The Company's competitors in the self-service market segment include global and multi-regional manufacturers and service providers, such as NCR, Wincor Nixdorf, Nautilus Hyosung, GRG Banking Equipment, Glory Global Solutions, Oki Data and Triton Systems to a number of primarily local and regional manufacturers and service providers, including, but not limited to, Fujitsu and Hitachi-Omron in AP; Hantle/GenMega in NA; KEBA in EMEA; and Perto in LA. In addition, the Company faces competition in many markets from numerous independent ATM deployers.

In the self-service software market, the Company, in addition to the key hardware players highlighted above, competes with several smaller, niche software companies like KAL. In the managed services and outsourcing solutions market, apart from its traditional FSS competitors, the Company competes with a number of large technology competitors such as Fiserv, IBM and HP.

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In the security service and product markets, the Company competes with national, regional and local security companies. Of these competitors, some compete in only one or two product lines, while others sell a broad spectrum of security services and products. The unavailability of comparative sales information and the large variety of individual services and products make it difficult to give reasonable estimates of the Company's competitive ranking in or share of the security market within the financial services, commercial, retail and government sectors. However, the Company believes it is a very well positioned security service and solution provider to global, national, regional and local financial, commercial and industrial customers.

The Company provides election systems, product solutions and support to the Brazil government. Competition in this market segment is based upon technology pre-qualification demonstrations to the Brazil government.

RESEARCH, DEVELOPMENT AND ENGINEERING
Customer demand for FSS and security technologies is growing. In order to meet this demand, the Company is focused on delivering innovation to its customers by continuing to invest in technology solutions that enable customers to reduce costs and improve efficiency. Expenditures for research, development and engineering initiatives were $86.9, $93.6 and $92.2 in 2015, 2014 and 2013, respectively. The Company recently announced a number of new innovative solutions, such as the responsive banking concept, the ActivEdge™ secure card reader and the world's greenest ATM, as well as launched a new ATM product platform.

PATENTS, TRADEMARKS, LICENSES
The Company owns patents, trademarks and licenses relating to certain products in the United States and internationally. While the Company regards these as items of importance, it does not deem its business as a whole, or any industry segment, to be materially dependent upon any one item or group of items. Under Diebold 2.0, the Company intends to protect and defend its intellectual property, including pursuit of infringing third parties for damages and other appropriate remedies.

ENVIRONMENTAL
Compliance with federal, state and local environmental protection laws during 2015 had no material effect upon the Company's business, financial condition or results of operations.

EMPLOYEES
At December 31, 2015, the Company employed approximately 16,000 associates globally, of which approximately 1,000 relate to the Company's recently divested electronic security business. The Company's service staff is one of the financial industry's largest, with professionals in more than 600 locations and businesses in more than 90 countries worldwide.

EXECUTIVE OFFICERS
Refer to Part III, Item 10 of this annual report on Form 10-K for information on the Company's executive officers, which is incorporated herein by reference.

AVAILABLE INFORMATION
The Company uses its Investor Relations web site, www.diebold.com/investors, as a channel for routine distribution of important information, including stock information, news releases, investor presentations and financial information. The Company posts filings as soon as reasonably practicable after they are electronically filed with, or furnished to, the U.S. Securities and Exchange Commission (SEC), including its annual, quarterly, and current reports on Forms 10-K, 10-Q, and 8-K; its proxy statements; registration statements; and any amendments to those reports or statements. All such postings and filings are available on the Company's Investor Relations web site free of charge. In addition, this web site allows investors and other interested persons to sign up to automatically receive e-mail alerts when the Company posts news releases and financial information on its web site. Investors and other interested

persons can also follow the Company on Twitter at http://twitter.com/dieboldinc. The SEC also maintains a web site, www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The content on any web site referred to in this annual report on Form 10-K is not incorporated by reference into this annual report unless expressly noted.

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ITEM 1A: RISK FACTORS
(dollars and euros in millions)

The following, including the risk factors relating to the proposed business combination with Wincor Nixdorf (Business Combination), are certain risk factors that could affect our business, financial condition, operating results and cash flows. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this annual report on Form 10-K because they could cause actual results to differ materially from those expressed in any forward-looking statement. The risk factors highlighted below are not the only ones we face. If any of these events actually occur, our business, financial condition, operating results or cash flows could be negatively affected.

We caution the reader to keep these risk factors in mind and refrain from attributing undue certainty to any forward-looking statements, which speak only as of the date of this annual report on Form 10-K.

We have launched an exchange offer as part of the Business Combination (Offer). The Offer is subject to conditions and the business combination agreement governing the Business Combination (Business Combination Agreement) may be terminated in accordance with its terms and the Business Combination may not be completed.

The Offer is subject to conditions, including obtaining required governmental and regulatory approvals and Wincor Nixdorf not experiencing a material adverse change. No assurance can be given that all of the conditions to the Offer will be satisfied or, if they are, as to the timing of such satisfaction. If the conditions to the Offer are not satisfied, the Company may allow the Offer to expire, or could amend or extend the Offer. In addition, the governmental and regulatory agencies from which the Company will seek approvals have broad discretion in administering the applicable governing regulations. As a condition to their approval of the transactions contemplated by the Business Combination Agreement, those agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the Company’s business. In addition, the Business Combination Agreement may be terminated by either party under certain circumstances, including if Wincor Nixdorf’s management and/or supervisory board no longer support the offer but instead determine to pursue a superior proposal.

Further, subject to the Offer conditions and Business Combination Agreement, the Business Combination will not be completed if there is a material adverse change affecting Wincor Nixdorf prior to the completion of the Business Combination. Other changes will not permit the Company to terminate the Offer or the Business Combination, even if such changes would have a material adverse effect on Wincor Nixdorf or the Company. If adverse changes occur but the Company and Wincor Nixdorf are still required to complete the Business Combination, the market value of the Company’s common shares may decrease.

Any delay in the completion of Business Combination could diminish the anticipated benefits of the Business Combination or result in additional transaction costs. Any uncertainty over the ability to complete the Business Combination could make it more difficult for the Company to maintain or to pursue particular business strategies. Conditions imposed by regulatory agencies in connection with their approval of the Business Combination may restrict our ability to modify the operations of our business in response to changing circumstances for a period of time after the closing of the Offer or our ability to expend cash for other uses or otherwise have an adverse effect on the anticipated benefits of the Business Combination, thereby adversely impacting our business, financial condition or results of operations. To the extent that the current market prices of the Company's common shares reflect a market premium based on the assumption that the Business Combination will be completed, any delay in or inability to complete the Business Combination could cause the price of the Company's common shares to decline.

The announcement and pendency of the Business Combination, during which the Company is subject to certain operating restrictions, could have an adverse effect on the Company’s business and cash flows, financial condition and results of operations.

The announcement and pendency of the Business Combination could disrupt the Company’s business, and uncertainty about the effect of the Business Combination may have an adverse effect on the Company following the Business Combination. These uncertainties could cause suppliers, vendors, partners and others that deal with the Company to defer entering into contracts with, or making other decisions concerning, the Company or to seek to change or cancel existing business relationships with the Company. In addition, the Company’s employees may experience uncertainty regarding their roles after the Business Combination. Employees may depart either before or after the completion of the Business Combination because of uncertainty and issues relating to the difficulty of coordination or because of a desire not to remain following the Business Combination. Therefore, the pendency of the Business Combination may adversely affect the Company’s ability to retain, recruit and motivate key personnel. Additionally, the attention of the Company’s management may be directed towards the completion of the Business Combination, including obtaining regulatory approvals, and may be diverted from the day-to-day business operations of the Company. Matters related to the Business Combination may require commitments of time and resources that could otherwise have been devoted to other opportunities that might have been beneficial to the Company. Additionally, the Business Combination Agreement requires the Company to refrain from taking certain actions while the Business Combination is pending. These restrictions may prevent the Company from pursuing otherwise attractive business opportunities or capital structure alternatives and from executing certain business strategies prior to the completion of the Business Combination. Further, the Business Combination may give rise to potential liabilities, including those that may result from future shareholder lawsuits relating to the Business Combination. Any of these matters could adversely affect the businesses of, or harm the results of operations, financial condition or cash flows of the Company.

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Negative publicity related to the Business Combination may materially adversely affect the Company.

From time to time, political and public sentiment in connection with a proposed acquisition may result in a significant amount of adverse press coverage and other adverse public statements affecting the parties to the acquisition. Adverse press coverage and public statements, whether or not driven by political or popular sentiment, may also result in legal claims or in investigations by regulators, legislators and law enforcement officials. Responding to these investigations and lawsuits, regardless of the ultimate outcome of the proceedings, can divert the time and effort of senior management from operating their business. Addressing any adverse publicity, governmental scrutiny or enforcement or other legal proceedings is time-consuming and expensive and, regardless of the factual basis for the assertions being made, could have a negative impact on the reputation of the Company, on the morale of its employees and on its relationships with regulators. It may also have a negative impact on its ability to take timely advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have a material adverse effect on the Company’s business and cash flows, financial condition and results of operations.

A combined Diebold and Wincor Nixdorf may fail to realize the anticipated strategic and financial benefits sought from the Business Combination.

If the Business Combination is completed, the combined company may not realize all of the anticipated benefits of the Business Combination. The success of the Business Combination will depend on, among other things, the Company’s ability to combine its business with Wincor Nixdorf’s business in a manner that facilitates growth in the value-added services sector and realizes anticipated cost savings. The Company believes that the Business Combination will provide an opportunity for revenue growth in managed services, professional services, installation and maintenance services.

However, the Company must successfully combine the businesses of the Company and Wincor Nixdorf in a manner that permits these anticipated benefits to be realized. In addition, the combined company must achieve the anticipated growth and cost savings without adversely affecting current revenues and investments in future growth. Further, providing managed services, professional services, installation and maintenance services can be highly complex and can involve the design, development, implementation and operation of new solutions and the transitioning of clients from their existing systems and processes to a new environment. If the combined company is not able to effectively provide value-added services and successfully achieve the growth and cost savings objectives, the anticipated benefits of the Business Combination may not be realized fully, or at all, or may take longer to realize than expected.

A combined Diebold and Wincor Nixdorf may experience operational challenges, negative synergies and loss of customers.

Integrating the operations and personnel of Wincor Nixdorf with the Company after the completion of the Business Combination will involve complex operational, technological and personnel-related challenges. This process will be time-consuming and expensive, and it may disrupt the businesses of either or both of the companies. The combined company may not realize all of the anticipated benefits of the Business Combination. Difficulties in the integration of the business, which may result in significant costs and delays, include:

- managing a significantly larger combined company;
- integrating and unifying the offerings and services available to customers and coordinating distribution and marketing efforts;
- coordinating corporate and administrative infrastructures and harmonizing insurance coverage;
- unanticipated issues in coordinating accounting, information technology, communications, administration and other systems;

- difficulty addressing possible differences in corporate cultures and management philosophies;
- challenges associated with changing Wincor Nixdorf's financial reporting from International Financial Reporting Standards (IFRS) to accounting principles generally accepted in the U.S. (U.S GAAP) and compliance with the Sarbanes-Oxley Act of 2002, as amended, and the rules promulgated thereunder by the SEC;
- legal and regulatory compliance;
- creating and implementing uniform standards, controls, procedures and policies;
- litigation relating to the transactions contemplated by a potential post-completion reorganization, including shareholder litigation;
- diversion of management's attention from other operations;
- maintaining existing agreements and relationships with customers, distributors, providers and vendors and avoiding delays in entering into new agreements with prospective customers, distributors, providers and vendors;
- realizing benefits as a combined company from Wincor Nixdorf's restructuring program, which Wincor Nixdorf refers to as the Delta Program, and the shift to providing information technology from hardware;
- unforeseen and unexpected liabilities related to the Business Combination, including the risk that certain of the Company's executive officers who will become members of Wincor Nixdorf's supervisory board may be subject to additional fiduciary duties and liability;
- identifying and eliminating redundant and underperforming functions and assets;
- effecting actions that may be required in connection with obtaining regulatory approvals; and
- a deterioration of credit ratings.

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Further, the Company and Wincor Nixdorf currently compete for and provide certain services and products to the same customers. As a combined company, the Company may lose customers or its share of customers' business as entities that were customers of both the Company and Wincor Nixdorf seek to diversify their suppliers of services and products. Following the Business Combination, customers may no longer distinguish between the Company and Wincor Nixdorf and their respective services and products. Retail banking customers in particular may turn to competitors of the Company for products and services that they received from the Company and Wincor Nixdorf prior to the Business Combination. As a result, the combined company may lose customers and revenues may decrease following the Business Combination. In addition, third parties with whom the Company and Wincor Nixdorf currently have relationships may terminate or otherwise reduce the scope of their relationship with either party in anticipation or after the completion of the Business Combination. Any such loss of business could limit the combined company's ability to achieve the anticipated benefits of the Business Combination. Such risks could also be exacerbated by a delay in the completion of the Business Combination. Finally, certain regulatory agencies may propose restrictions, divestitures or other business structures as part of their review and approval process which, if adopted, could have a negative impact, or cause the loss of, certain customer or supplier relationships of the combined company.

The Company will incur significant transaction fees and costs in connection with the Business Combination, some of which are payable regardless of whether the Business Combination is completed.

The Company expects to incur a number of significant non-recurring implementation and restructuring costs associated with combining the operations of the two companies. In addition, the Company will incur significant financing, investment banking, legal, accounting and other transaction fees and costs related to the Business Combination. The Company must pay some of these fees and costs regardless of whether the Business Combination is completed. Additional costs substantially in excess of currently anticipated costs may also be incurred in connection with the integration of the businesses of the Company and Wincor Nixdorf. In addition, if the Offer is not completed due to certain circumstances specified in the Business Combination Agreement, the Company may be required to pay Wincor Nixdorf a termination fee of up to €50.0, depending on the circumstances.

Although the Company expects that the cost savings, as well as the realization of other efficiencies related to the integration of the businesses, will offset these transaction- and combination-related costs over time, this net benefit may not be achieved in the near term, or at all. In addition, the timeline in which cost savings are expected to be realized is lengthy and may not be achieved. Failure of the Company to realize these synergies and other efficiencies in a timely manner or at all could have a material adverse effect on the Company's business and cash flows, financial condition and results of operations.

The Company will incur a substantial amount of indebtedness in connection with the Business Combination and, as a result, will be highly leveraged. The Company's failure to meet its debt service obligations could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company anticipates that it will need to borrow approximately $2,050.0 in connection with the Business Combination. As of December 31, 2015, on a pro forma basis after giving effect to (i) the Business Combination and the related Business Combination financing and (ii) the refinancing of certain of the Company's and Wincor Nixdorf's outstanding indebtedness at the time of closing, the total indebtedness of the combined company would have been approximately $2,300.0, and the Company would have had undrawn commitments available for borrowings of an additional $520.0 under its replacement credit facilities.

The Company's high level of indebtedness following the Business Combination could adversely affect the Company's operations and liquidity. The Company's anticipated level of indebtedness could, among other things:

- make it more difficult for the Company to pay or refinance its debts as they become due during adverse economic and industry conditions because the Company may not have sufficient cash flows to make its scheduled debt payments;
- cause the Company to use a larger portion of its cash flow to fund interest and principal payments, reducing the availability of cash to fund working capital, capital expenditures, research and development and other business activities;
- limit the Company’s ability to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions;
- cause the Company to be more vulnerable to general adverse economic and industry conditions;
- cause the Company to be disadvantaged compared to competitors with less leverage;
- result in a downgrade in the credit rating of the Company or indebtedness of the Company or its subsidiaries, which could increase the cost of borrowings; and
- limit the Company’s ability to borrow additional monies in the future to fund working capital, capital expenditures, research and development and other general corporate purposes.

In addition, the agreements governing our indebtedness contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. The Company's failure to comply with those covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all its debt.

The Company may also incur additional long-term debt and working capital lines of credit to meet future financing needs, which would increase our total indebtedness. Although the terms of its existing and future credit agreements and of the indentures governing its debt contain restrictions on the incurrence of additional debt, including secured debt, these restrictions are subject

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to a number of important exceptions and debt incurred in compliance with these restrictions could be substantial. If the Company and its restricted subsidiaries incur significant additional debt, the related risks that the Company faces could intensify.

In addition to the Business Combination, we may be unable to successfully and effectively manage acquisitions, divestitures and other significant transactions, which could harm our operating results, business and prospects.

As part of our business strategy, including and in addition to the proposed Business Combination, we frequently engage in discussions with third parties regarding possible investments, acquisitions, strategic alliances, joint ventures, divestitures and outsourcing arrangements, and we enter into agreements relating to such transactions in order to further our business objectives. In order to pursue this strategy successfully, we must identify suitable candidates, successfully complete transactions, some of which may be large and complex, and manage post-closing issues such as the integration of acquired companies or employees and the divestiture of combined businesses, operations and employees. Integration, divestiture and other risks of these transactions can be more pronounced in larger and more complicated transactions, or if multiple transactions are pursued simultaneously. If we fail to identify and successfully complete transactions that further our strategic objectives, we may be required to expend resources to develop products and technology internally. This may put us at a competitive disadvantage and we may be adversely affected by negative market perceptions, any of which may have a material adverse effect on our revenue, gross margin and profitability.

Integration and divestiture issues are complex, time-consuming and expensive and, without proper planning and implementation, could significantly disrupt our business. The challenges involved in integrating and divesting include:

- combining service and product offerings and entering into new markets in which we are not experienced;
- convincing customers and distributors that any such transaction will not diminish client service standards or business focus, preventing customers and distributors from deferring purchasing decisions or switching to other suppliers or service providers (which could result in additional obligations to address customer uncertainty), and coordinating service, sales, marketing and distribution efforts;
- consolidating and rationalizing corporate information technology infrastructure, which may include multiple legacy systems from various acquisitions and integrating software code;
- minimizing the diversion of management attention from ongoing business concerns;
- persuading employees that business cultures are compatible, maintaining employee morale and retaining key employees, integrating employees into our company, correctly estimating employee benefit costs and implementing restructuring programs;
- coordinating and combining administrative, service, manufacturing, research and development and other operations, subsidiaries, facilities and relationships with third parties in accordance with local laws and other obligations while maintaining adequate standards, controls and procedures;
- achieving savings from supply chain and administration integration; and
- efficiently divesting combined business operations which may cause increased costs as divested businesses are de-integrated from embedded systems and operations.

We evaluate and enter into these types of transactions on an ongoing basis. We may not fully realize all of the anticipated benefits of any transaction and the time frame for achieving benefits of a transaction may depend partially upon the actions of employees, suppliers or other third parties. In addition, the pricing and other terms of our contracts for these transactions require us to make estimates and assumptions at the time we enter into these contracts, and, during the course of our due diligence, we may not identify all of the factors necessary to estimate costs accurately. Any increased or unexpected costs, unanticipated delays or failure to achieve contractual obligations could make these agreements less profitable or unprofitable.

Managing these types of transactions requires varying levels of management resources, which may divert our attention from other business operations. These transactions could result in significant costs and expenses and charges to earnings, including those related to severance pay, early retirement costs, employee benefit costs, asset impairment charges, charges from the elimination of duplicative facilities and contracts, in-process research and development charges, inventory adjustments, assumed litigation, regulatory compliance and other liabilities, legal, accounting and financial advisory fees and required payments to executive officers and key employees under retention plans. Moreover, we could incur additional depreciation and amortization expense over the useful lives of certain assets acquired in connection with these transactions, and, to the extent that the value of goodwill or intangible assets with indefinite lives acquired in connection with a transaction becomes impaired, we may be required to incur additional material charges relating to the impairment of those assets. In order to complete an acquisition, we may issue common shares, potentially creating dilution for existing shareholders, or borrow funds, which could affect our financial condition, results of operations and potentially our credit ratings. Any prior or future downgrades in our credit rating associated with a transaction could adversely affect our ability to borrow and our borrowing cost, and result in more restrictive borrowing terms. In addition, our effective tax rate on an ongoing basis is uncertain, and such transactions could impact our effective tax rate. We also may experience risks relating to the challenges and costs of closing a transaction and the risk that an announced transaction may not close. As a result, any completed, pending or future transactions may contribute to financial results that differ materially from the investment community’s expectations.

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Demand for and supply of our services and products may be adversely affected by numerous factors, some of which we cannot predict or control. This could adversely affect our operating results.

Numerous factors may affect the demand for and supply of our services and products, including:

- changes in the market acceptance of our services and products;
- customer and competitor consolidation;
- changes in customer preferences;
- declines in general economic conditions;
- changes in environmental regulations that would limit our ability to service and sell products in specific markets;
- macro-economic factors affecting banks, credit unions and other FIs may lead to cost-cutting efforts by customers, which could cause us to lose current or potential customers or achieve less revenue per customer; and
- availability of purchased products.

If any of these factors occur, the demand for and supply of our services and products could suffer, and which could adversely affect our results of operations.

Increased energy and raw material costs could reduce our income.

Energy prices, particularly petroleum prices, are cost drivers for our business. In recent years, the price of petroleum has been highly volatile, particularly due to the unstable political conditions in the Middle East and increasing international demand from emerging markets. Price increases in fuel and electricity costs, such as those increases that may occur from climate change legislation or other environmental mandates, may continue to increase our cost of operations. Any increase in the costs of energy would also increase our transportation costs.

The primary raw materials in our FSS, security, election and lottery systems product solutions are steel, plastics, and electronic parts and components. The majority of our raw materials are purchased from various local, regional and global suppliers pursuant to supply contracts. However, the price of these materials can fluctuate under these contracts in tandem with the pricing of raw materials.

Although we attempt to pass on higher energy and raw material costs to our customers, it is often not possible given the competitive markets in which we operate.

Our business may be affected by general economic conditions, cyclicality and uncertainty and could be adversely affected during economic downturns.

Demand for our services and products is affected by general economic conditions and the business conditions of the industries in which we sell our services and products. The business of most of our customers, particularly our financial institution customers, is, to varying degrees, cyclical and has historically experienced periodic downturns. Under difficult economic conditions, customers may seek to reduce discretionary spending by forgoing purchases of our services and products. This risk is magnified for capital goods purchases such as ATMs and physical security products. In addition, downturns in our customers' industries, even during periods of strong general economic conditions, could adversely affect the demand for our services and products, and our sales and operating results.

In particular, continuing economic difficulties in the global markets have led to an economic recession in many of the markets in which we operate. As a result of these difficulties and other factors, including new or increased regulatory burdens, financial institutions have failed and may continue to fail, resulting in a loss of current or potential customers, or deferred or canceled orders, including orders previously placed. Any customer deferrals or cancellations could materially affect our sales and operating results.

Additionally, the unstable political conditions in the Middle East, among others, or the sovereign debt concerns of certain countries could lead to further financial, economic and political instability, and this could lead to an additional deterioration in general economic conditions.

We may be unable to achieve, or may be delayed in achieving, our cost-cutting initiatives, and this may adversely affect our operating results and cash flow.

We have launched a number of cost-cutting initiatives, including as part of Diebold 2.0 and other restructuring initiatives, to improve operating efficiencies and reduce operating costs. Although we have achieved a substantial amount of annual cost savings associated with these cost-cutting initiatives, we may be unable to sustain the cost savings that we have achieved. In addition, if we are unable to achieve, or have any unexpected delays in achieving, additional cost savings, our results of operations and cash flows may be adversely affected. Even if we meet our goals as a result of these initiatives, we may not receive the expected financial benefits of these initiatives.

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We face competition that could adversely affect our sales and financial condition.

All phases of our business are highly competitive. Some of our services and products are in direct competition with similar or alternative services or products provided by our competitors. We encounter competition in price, delivery, service, performance, product innovation, product recognition and quality.

Because of the potential for consolidation in any market, our competitors may become larger, which could make them more efficient and permit them to be more price-competitive. Increased size could also permit them to operate in wider geographic areas and enhance their abilities in other areas such as research and development and customer service. As a result, this could also reduce our profitability.

We expect that our competitors will continue to develop and introduce new and enhanced services and products. This could cause a decline in market acceptance of our services and products. In addition, our competitors could cause a reduction in the prices for some of our services and products as a result of intensified price competition. Also, we may be unable to effectively anticipate and react to new entrants in the marketplace competing with our services and products.

Competitive pressures can also result in the loss of major customers. An inability to compete successfully could have an adverse effect on our operating results, financial condition and cash flows in any given period.

Additional tax expense or additional tax exposures could affect our future profitability.

We are subject to income taxes in both the United States (U.S.) and various non-U.S. jurisdictions, and our domestic and international tax liabilities are dependent upon the distribution of income among these different jurisdictions. If we decide to repatriate cash and cash equivalents and short-term investments residing in international tax jurisdictions, there could be further negative impact on foreign and domestic taxes. Our tax expense includes estimates of additional tax that may be incurred for tax exposures and reflects various estimates and assumptions, including assessments of future earnings of the Company that could affect the valuation of our net deferred tax assets. Our future results could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in the overall profitability of the Company, changes in tax legislation, changes in the valuation of deferred tax assets and liabilities, the results of audits and examinations of previously filed tax returns and continuing assessments of our income tax exposures.

Additionally, our future results could be adversely affected by the results of indirect tax audits and examinations, and continuing assessments of our indirect tax exposures. For example, 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 response to an order by the administrative court, the tax inspector provided further analysis with respect to the initial assessment in December 2013 that indicates a potential exposure that is significantly lower than the initial tax assessment received in August 2012. This revised analysis has been accepted by the initial administrative court; however, this matter remains subject to ongoing administrative proceedings and appeals. Accordingly, the Company cannot provide any assurance that its exposure pursuant to the initial assessment will be lowered significantly or at all. 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 significant taxes, penalties and interest related to this matter, which could be material to the Company’s consolidated financial statements. The Company continues to defend itself in this matter.

Furthermore, beginning in July 2014, the Company challenged customs rulings in Thailand seeking to retroactively collect customs duties on previous imports of ATMs. Management believes that the customs authority's attempt to retroactively assess customs duties is in contravention of World Trade Organization agreements and, accordingly, is challenging the rulings. In the third quarter of 2015, the Company received a prospective ruling from the United States Customs Border Protection that is consistent with our interpretation of the treaty in question. We presented that ruling for consideration in our ongoing dispute with Thailand. The matters are currently in the appeals process and management continues to believe that the Company has a valid legal position in these appeals. Accordingly, the Company has not accrued any amount for this contingency; however, the Company cannot provide any assurance that it will not ultimately be subject to retroactive assessments.

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 December 31, 2015 to be up to approximately $174.5 for its material indirect tax matters, of which approximately $138.0 and $24.0, 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. It is reasonably possible that we could be required to pay taxes, penalties and interest related to this matter or other open years, which could be material to our financial condition and results of operations.

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In international markets, we compete with local service providers that may have competitive advantages.

In a number of international markets in each region where we operate, for instance in Brazil and China, we face substantial competition from local service providers that offer competing services and products. Some of these companies may have a dominant market share in their territories and may be owned by local stakeholders. This could give them a competitive advantage. Local providers of competing services and products may also have a substantial advantage in attracting customers in their countries due to more established branding in that country, greater knowledge with respect to the tastes and preferences of customers residing in that country and/or their focus on a single market. As a U.S. based multi-national corporation, we must ensure our compliance with both U.S. and foreign regulatory requirements.

Because our operations are conducted worldwide, they are affected by risks of doing business abroad.

We generate a significant percentage of revenue from operations conducted outside the United States. Revenue from international operations amounted to approximately 58.1 percent in 2015, 62.1 percent in 2014 and 57.2 percent in 2013 of total revenue during these respective years.

Accordingly, international operations are subject to the risks of doing business abroad, including, among other things, the following:

- fluctuations in currency exchange rates, particularly in China (renminbi), Brazil (real) and EMEA (primarily the euro);
- transportation delays and interruptions;
- political and economic instability and disruptions;
- the failure of foreign governments to abide by international agreements and treaties;
- restrictions on the transfer of funds;
- the imposition of duties, tariffs and other taxes;
- import and export controls;
- changes in governmental policies and regulatory environments;
- ensuring our compliance with U.S. laws and regulations and applicable laws and regulations in other jurisdictions, including the Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, and applicable laws and regulations in other jurisdictions;
- labor unrest and current and changing regulatory environments;
- the uncertainty of product acceptance by different cultures;
- the risks of divergent business expectations or cultural incompatibility inherent in establishing joint ventures with foreign partners;
- difficulties in staffing and managing multi-national operations;
- limitations on the ability to enforce legal rights and remedies;
- reduced protection for intellectual property rights in some countries; and
- potentially adverse tax consequences, including repatriation of profits.

Any of these events could have an adverse effect on our international operations by reducing the demand for our services and products or decreasing the prices at which we can sell our services and products, thereby adversely affecting our financial condition or operating results. We may not be able to continue to operate in compliance with applicable customs, currency exchange control regulations, transfer pricing regulations or any other laws or regulations to which we may be subject. In addition, these laws or regulations may be modified in the future, and we may not be able to operate in compliance with those modifications.

Additionally, there are ongoing concerns regarding the short- and long-term stability of the euro and its ability to serve as a single currency for a variety of individual countries. These concerns could lead individual countries to revert, or threaten to revert, to their former local currencies, which could lead to the dissolution of the euro. Should this occur, the assets we hold in a country that re-introduces its local currency could be significantly devalued. Furthermore, the dissolution of the euro could cause significant volatility and disruption to the global economy, which could impact our financial results. Finally, if it were necessary for us to conduct our business in additional currencies, we would be subjected to additional earnings volatility as amounts in these currencies are translated into U.S. dollars.

We may be exposed to liabilities under the FCPA, which could harm our reputation and have a material adverse effect on our business.

We are subject to compliance with various laws and regulations, including the FCPA and similar worldwide anti-bribery laws, which generally prohibit companies and their intermediaries from engaging in bribery or making other improper payments to foreign officials for the purpose of obtaining or retaining business or gaining an unfair business advantage. The FCPA also requires proper record keeping and characterization of such payments in our reports filed with the SEC.

Our employees and agents are required to comply with these laws. We operate in many parts of the world that have experienced governmental and commercial corruption to some degree, and strict compliance with anti-bribery laws may conflict with local customs and practices. Foreign companies, including some that may compete with us, may not be subject to the FCPA and may follow local customs and practices. Accordingly, such companies may be more likely to engage in activities prohibited by the FCPA, which could have a significant adverse impact on our ability to compete for business in such countries.

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Despite our commitment to legal compliance and corporate ethics, we cannot ensure that our policies and procedures will always protect us from intentional, reckless or negligent acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could disrupt our business and result in financial penalties, debarment from government contracts and other consequences that may have a material adverse effect on our reputation, business, financial condition or results of operations. Future changes in anti-bribery or economic sanctions laws and enforcement could also result in increased compliance requirements and related expenses that may also have a material adverse effect on our business, financial condition or results of operations.

In addition, our business opportunities in select geographies have been or may be adversely affected by the settlement of the FCPA matter that we settled with the U.S. government in late 2013. Some countries in which we do business may also initiate their own reviews and impose penalties, including prohibition of our participating in or curtailment of business operations in those jurisdictions. We could also face third-party claims in connection with this matter or as a result of the outcome of the current or any future government reviews. Our disclosure, internal review and any current or future governmental review of this matter could, individually or in the aggregate, have a material adverse effect on our reputation and our ability to obtain new business or retain existing business from our current clients and potential clients, to attract and retain employees and to access the capital markets.

We may expand operations into international markets in which we may have limited experience or rely on business partners.

We continually look to expand our services and products into international markets. We have currently developed, through joint ventures, strategic investments, subsidiaries and branch offices, service and product offerings in more than 90 countries outside of the United States. As we expand into new international markets, we will have only limited experience in marketing and operating services and products in such markets. In other instances, we may rely on the efforts and abilities of foreign business partners in such markets. Certain international markets may be slower than domestic markets in adopting our services and products, and our operations in international markets may not develop at a rate that supports our level of investment. Further, violations of laws by our foreign business partners, or allegations of such violations, could disrupt our business and result in financial penalties and other consequences that may have a material adverse effect on our business, financial condition or results of operations.

We have a significant amount of long-term assets, including goodwill and other intangible assets, and any future impairment charges could adversely impact our results of operations.

We review long-lived assets, including property, plant and equipment and identifiable amortizing intangible assets, for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference. Factors which may cause an impairment of long-lived assets include significant changes in the manner of use of these assets, negative industry or market trends, a significant under-performance relative to historical or projected future operating results, or a likely sale or disposal of the asset before the end of its estimated useful life.

As of December 31, 2015, we had $161.5 of goodwill. We assess all existing goodwill at least annually for impairment on a reporting unit basis. The Company’s four reporting units were defined as Domestic and Canada, AP, EMEA, and LA. The techniques used in our qualitative and quantitative assessment and goodwill impairment tests incorporate a number of estimates and assumptions that are subject to change. Although we believe these estimates and assumptions are reasonable and reflect market conditions forecast at the assessment date, any changes to these assumptions and estimates due to market conditions or otherwise may lead to an outcome where impairment charges would be required in future periods.

System security risks, systems integration and cybersecurity issues could disrupt our internal operations or services provided to customers, and any such disruption could adversely affect revenue, increase costs, and harm our reputation and stock price.

Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate our own confidential information or those of our customers, corrupt data, create system disruptions or cause shutdowns. A network security breach could be particularly harmful if it remains undetected for an extended period of time. Groups of hackers may also act in a coordinated manner to launch distributed denial of service attacks, or other coordinated attacks, that may cause service outages or other interruptions. We could incur significant expenses in addressing problems created by network security breaches, such as the expenses of deploying additional personnel, enhancing or implementing new protection measures, training employees or hiring consultants. Further, such corrective measures may later prove inadequate. Moreover, actual or perceived security vulnerabilities in our services and products could cause significant reputational harm, causing us to lose existing or potential customers. Reputational damage could also result in diminished investor confidence. Actual or perceived vulnerabilities may also lead to claims against us. Although our license agreements typically contain provisions that eliminate or limit our exposure to such liability, there is no assurance these provisions will withstand legal challenges. We could also incur significant expenses in connection with customers' system failures.

In addition, sophisticated hardware and operating system software and applications that we produce or procure from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of the system. The costs to eliminate or alleviate security problems, viruses and bugs could be significant, and the efforts to address these problems could result in interruptions, delays or cessation of service that could impede sales, manufacturing, distribution or other critical functions.

Portions of our information technology infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems, and transitioning data and other aspects of the process could be expensive, time consuming, disruptive and resource-intensive. Such disruptions could adversely impact the ability to fulfill orders and interrupt other processes and, in addition, could adversely impact our ability to maintain effective internal control over financial reporting. Delayed sales, lower margins, lost customers or diminished investor confidence resulting from these disruptions could adversely affect our financial results, stock price and reputation.

An inability to attract, retain and motivate key employees could harm current and future operations.

In order to be successful, we must attract, retain and motivate executives and other key employees, including those in managerial, professional, administrative, technical, sales, marketing and information technology support positions. We also must keep employees focused on our strategies and goals. Hiring and retaining qualified executives, engineers and qualified sales representatives are critical to our future, and competition for experienced employees in these areas can be intense. The failure to hire or loss of key employees could have a significant impact on our operations.

We may not be able to generate sufficient cash flows to fund our operations and make adequate capital investments, or to pay dividends.

Our cash flows from operations depend primarily on sales and service margins. To develop new service and product technologies, support future growth, achieve operating efficiencies and maintain service and product quality, we must make significant capital investments in manufacturing technology, facilities and capital equipment, research and development, and service and product technology. In addition to cash provided from operations, we have from time to time utilized external sources of financing. Despite our Diebold 2.0 transformation program, depending upon general market conditions or other factors, we may not be able to generate sufficient cash flows to fund our operations and make adequate capital investments, or to continue to pay dividends, either in whole or in part. In addition, any tightening of the credit markets may limit our ability to obtain alternative sources of cash to fund our operations.

Although the Company has paid dividends on its common shares in the past, there is no assurance that the Company will continue to pay dividends at the same rate or at all after the Business Combination. The declaration and payment of future dividends, as well as the amount thereof, are subject to the declaration by the Company’s board of directors. The amount and size of any future dividends will depend on the Company’s results of operations, financial condition, capital levels, cash requirements, future prospects and other factors. As previously announced, it is the Company's intention following closing of the Business Combination to pay a dividend at a rate less than the Company's current annual dividend rate, subject to market and other conditions.

New service and product developments may be unsuccessful.

We are constantly looking to develop new services and products that complement or leverage the underlying design or process technology of our traditional service and product offerings. We make significant investments in service and product technologies and anticipate expending significant resources for new software-led services and product development over the next several years. There can be no assurance that our service and product development efforts will be successful, that we will be able to cost effectively develop or manufacture these new services and products, that we will be able to successfully market these services and products or that margins generated from sales of these services and products will recover costs of development efforts.

Our ability to maintain effective internal control over financial reporting may be insufficient to allow us to accurately report our financial results or prevent fraud, and this could cause our financial statements to become materially misleading and adversely affect the trading price of our common shares.

We require effective internal control over financial reporting in order to provide reasonable assurance with respect to our financial reports and to effectively prevent fraud. Internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If the Company cannot provide reasonable assurance with respect to our financial statements and effectively prevent fraud, our financial statements could become materially misleading, which could adversely affect the trading price of our common shares.

If the Company is not able to maintain the adequacy of our internal control over financial reporting, including any failure to implement required new or improved controls, or if the Company experiences difficulties in their implementation, our business, financial condition and operating results could be harmed. Any material weakness could affect investor confidence in the accuracy and completeness of our financial statements. As a result, our ability to obtain any additional financing, or additional financing on favorable terms, could be materially and adversely affected. This, in turn, could materially and adversely affect our business, financial condition and the market value of our securities and require us to incur additional costs to improve our internal control systems and procedures. In addition, perceptions of the Company among customers, lenders, investors, securities analysts and others could also be adversely affected.

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The Company had material weaknesses in its internal control over financial reporting in the past, and can give no assurances that any additional material weaknesses will not arise in the future due to our failure to implement and maintain adequate internal control over financial reporting. In addition, although the Company has been successful historically in strengthening our controls and procedures, those controls and procedures may not be adequate to prevent or identify irregularities or ensure the fair presentation of our financial statements included in our periodic reports filed with the SEC.

Low investment performance by our domestic pension plan assets may result in an increase to our net pension liability and expense, which may require us to fund a portion of our pension obligations and divert funds from other potential uses.

We sponsor several defined benefit pension plans that cover certain eligible employees. Our pension expense and required contributions to our pension plans are directly affected by the value of plan assets, the projected rate of return on plan assets, the actual rate of return on plan assets and the actuarial assumptions we use to measure the defined benefit pension plan obligations.
A significant market downturn could occur in future periods resulting in a decline in the funded status of our pension plans and causing actual asset returns to be below the assumed rate of return used to determine pension expense. If return on plan assets in future periods perform below expectations, future pension expense will increase. Further, as a result of global economic instability in recent years, our pension plan investment portfolio has been volatile.

We establish the discount rate used to determine the present value of the projected and accumulated benefit obligations at the end of each year based upon the available market rates for high quality, fixed income investments. We match the projected cash flows of our pension plans against those generated by high-quality corporate bonds. The yield of the resulting bond portfolio provides a basis for the selected discount rate. An increase in the discount rate would reduce the future pension expense and, conversely, a decrease in the discount rate would increase the future pension expense.

Based on current guidelines, assumptions and estimates, including investment returns and interest rates, we do not plan to make contributions to our pension plans in 2016. Changes in the current assumptions and estimates could result in contributions in years beyond 2016 that are greater than the projected 2016 contributions required. We cannot predict whether changing market or economic conditions, regulatory changes or other factors will further increase our pension expenses or funding obligations, diverting funds we would otherwise apply to other uses.

Our businesses are subject to inherent risks, some for which we maintain third-party insurance and some for which we self-insure. We may incur losses and be subject to liability claims that could have a material adverse effect on our financial condition, results of operations or cash flows.

We maintain insurance policies that provide limited coverage for some, but not all, of the potential risks and liabilities associated with our businesses. The policies are subject to deductibles and exclusions that result in our retention of a level of risk on a self-insurance basis. For some risks, we may not obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially, and in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. As a result, we may not be able to renew our existing insurance policies or procure other desirable insurance on commercially reasonable terms, if at all. Even where insurance coverage applies, insurers may contest their obligations to make payments. Our financial condition, results of operations and cash flows could be materially and adversely affected by losses and liabilities from uninsured or under-insured events, as well as by delays in the payment of insurance proceeds, or the failure by insurers to make payments. We also may incur costs and liabilities resulting from claims for damages to property or injury to persons arising from our operations.

Our assumptions used to determine our self-insurance liability could be wrong and materially impact our business.

We evaluate our self-insurance liability based on historical claims experience, demographic factors, severity factors and other actuarial assumptions. However, if future occurrences and claims differ from these assumptions and historical trends, our business, financial results and financial condition could be materially impacted by claims and other expenses.

An adverse determination that our services, products or manufacturing processes infringe the intellectual property rights of others, an adverse determination that a competitor has infringed our intellectual property rights, or our failure to enforce our intellectual property rights could have a materially adverse effect on our business, operating results or financial condition.

As is common in any high technology industry, others have asserted from time to time, and may assert in the future, that our services, products or manufacturing processes infringe their intellectual property rights. A court determination that our services, products or manufacturing processes infringe the intellectual property rights of others could result in significant liability and/or require us to make material changes to our services, products and/or manufacturing processes. We are unable to predict the outcome of assertions of infringement made against us.

The Company also seeks to enforce our intellectual property rights against infringement. In October 2015, the Company filed a complaint with the U.S. International Trade Commission (ITC) and the U.S. District Court for the Northern District of Ohio alleging that Nautilus Hyosung Inc., and its subsidiary Nautilus Hyosung America Inc., infringe the Company's patents in certain ATMs. The complaints allege that Hyosung has infringed upon six of the Company's patents which relate to features in Hyosung products.

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Based upon the Complaint filed by the Company, the ITC has decided to institute an investigation and has set a target date to complete the investigation in the first quarter of 2017. In response to these actions taken by the Company, in February 2016 Nautilus Hyosung filed complaints against the Company in front of the ITC and U.S. District Court for the Northern District of Texas alleging the Company infringes certain Nautilus Hyosung patents. The Company is aggressively defending the claims asserted by Nautilus Hyosung.

The Company cannot predict the outcome of actions to enforce our intellectual property rights, and, although we seek to enforce our intellectual property rights, we cannot guarantee that we will be successful in doing so. Any of the foregoing could have a materially adverse effect on our business, operating results or financial condition.

Changes in laws or regulations or the manner of their interpretation or enforcement could adversely impact our financial performance and restrict our ability to operate our business or execute our strategies.

New laws or regulations, or changes in existing laws or regulations or the manner of their interpretation or enforcement, could increase our cost of doing business and restrict our ability to operate our business or execute our strategies. This includes, among other things, the possible taxation under U.S. law of certain income from foreign operations, compliance costs and enforcement under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and costs associated with complying with the Patient Protection and Affordable Care Act of 2010 and the regulations promulgated thereunder. For example, under Section 1502 of the Dodd-Frank Act, the SEC has adopted additional disclosure requirements related to the source of certain “conflict minerals” for issuers for which such “conflict minerals” are necessary to the functionality or product manufactured, or contracted to be manufactured, by that issuer. The metals covered by the rules include tin, tantalum, tungsten and gold, commonly referred to as “3TG.” Our suppliers may use some or all of these materials in their production processes. The SEC’s rules require us to perform supply chain due diligence on our supply chain, including the mine owner and operator. Global supply chains can have multiple layers, thus the costs of complying with these requirements could be substantial. These requirements may also reduce the number of suppliers who provide conflict free metals, and may affect our ability to obtain products in sufficient quantities or at competitive prices. Compliance costs and the unavailability of raw materials could have a material adverse effect on our results of operations. As another example, the customs authority in Thailand has unilaterally changed its position with respect to its obligations under the World Trade Organization’s International Technology Agreement (ITA), which provides duty-free treatment for the importation of ATMs into Thailand from other member countries that have signed the ITA.

Anti-takeover provisions could make it more difficult for a third party to acquire us.

Certain provisions of our charter documents, including provisions limiting the ability of shareholders to raise matters at a meeting of shareholders without giving advance notice and permitting cumulative voting, may make it more difficult for a third party to gain control of our board of directors and may have the effect of delaying or preventing changes in our control or management. This could have an adverse effect on the market price of our common shares. Additionally, Ohio corporate law provides that certain notice and informational filings and special shareholder meeting and voting procedures must be followed prior to consummation of a proposed control share acquisition, as defined in the Ohio Revised Code. Assuming compliance with the prescribed notice and information filings, a proposed control share acquisition may be made only if, at a special meeting of shareholders, the acquisition is approved by both a majority of our voting power represented at the meeting and a majority of the voting power remaining after excluding the combined voting power of the interested shares, as defined in the Ohio Revised Code. The application of these provisions of the Ohio Revised Code also could have the effect of delaying or preventing a change of control.

The Company may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

The Company's ability to make scheduled payments or refinance its debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. The Company may be unable to maintain a level of cash flows from operating activities sufficient to permit the payment of principal, premium, if any, and interest on its indebtedness.

If the Company's cash flows and capital resources are insufficient to fund its debt service obligations, the Company could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance its indebtedness. The Company may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow the Company to meet its scheduled debt service obligations. In addition, the terms of the Company's existing or future debt arrangements may restrict it from effecting any of these alternatives.

The Company's inability to generate sufficient cash flows to satisfy its debt obligations, or to refinance its indebtedness on commercially reasonable terms or at all, would materially and adversely affect its financial position and results of operations.

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ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2: PROPERTIES

The Company's corporate offices are located in North Canton, Ohio. Within NA, Diebold leases manufacturing facilities in Greensboro, North Carolina and has selling, service and administrative offices throughout the United States and Canada, including a software development center in Canada. AP owns and operates manufacturing facilities in China and India and selling, service and administrative offices in the following locations: Australia, China, Hong Kong, India, Indonesia, Malaysia, Philippines, Taiwan, Thailand, Singapore and Vietnam. EMEA owns or leases and operates manufacturing facilities in Belgium and Hungary and has selling, service and administrative offices in the following locations: Austria, Denmark, Belgium, France, Germany, Hungary, Israel, Italy, Luxembourg, Morocco, Namibia, the Netherlands, Poland, Portugal, Russia, South Africa, Spain, Switzerland, Turkey, Uganda, the United Arab Emirates and the United Kingdom. LA has selling, service and administrative offices in the following locations: Barbados, Belize, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, and Uruguay. In addition, LA owns and operates manufacturing facilities and has selling, service and administrative offices throughout Brazil. The Company leases a majority of the selling, service and administrative offices under operating lease agreements.
The Company considers that its properties are generally in good condition, are well maintained, and are generally suitable and adequate to carry on the Company's business.

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ITEM 3: LEGAL PROCEEDINGS
(dollars in millions)

At December 31, 2015, the Company was a party to several lawsuits that were incurred in the normal course of business, none of which individually or in the aggregate is considered material by management in relation to the Company's financial position or results of operations. In addition, the Company has indemnification obligations with certain former employees and costs associated with these indemnifications are expensed as incurred. In management's opinion, the Company's consolidated financial statements would not be materially affected by the outcome of those legal proceedings, commitments, or asserted claims.

In addition to the routine legal proceedings noted above, the Company was a party to the legal proceedings described below at
December 31, 2015:

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 December 31, 2015, 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, none of which individually or in the aggregate is considered material by management in relation to the Company’s financial position or results of operations. In management’s opinion, the consolidated financial statements would not be materially affected by the outcome of these indirect tax claims and/or proceedings or asserted claims.

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

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

In response to an order by the administrative court, the tax inspector provided further analysis with respect to the initial assessment in December 2013, which has now been accepted by the initial administrative court, that indicates a potential exposure that is significantly lower than the initial tax assessment received in August 2012. This revised analysis has been accepted by the initial administrative court; however, this matter remains subject to ongoing administrative proceedings and appeals. Accordingly, the Company cannot provide any assurance that its exposure pursuant to the initial assessment will be lowered significantly or at all. 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 consolidated financial statements. The Company continues to defend itself in this matter.

In connection with the Brazil indirect tax assessment, in May 2013, the SEC requested that the Company retain certain documents and produce certain records relating to the assessment, to which the Company complied. In September 2014, the Company was notified by the SEC that it had closed its inquiry relating to the assessment.

Beginning in July 2014 the Company challenged customs rulings in Thailand seeking to retroactively collect customs duties on previous imports of ATMs. Management believes that the customs authority’s attempt to retroactively assess customs duties is in contravention of World Trade Organization agreements and, accordingly, is challenging the rulings. In the third quarter of 2015, the Company received a prospective ruling from the United States Customs Border Protection which is consistent with its interpretation of the treaty in question. We are submitting that ruling for consideration in our ongoing dispute with Thailand. The matters are currently in the appeals process and management continues to believe that the Company has a valid legal position in these appeals. Accordingly, the Company has not accrued any amount for this contingency; however, the Company cannot provide any assurance that it will not ultimately be subject to a retroactive assessment.

At December 31, 2015 and 2014, the Company had an accrual of approximately $7.5 and $12.5, respectively, related to the Brazil indirect tax matter disclosed above. The reduction in the accrual is due to the expiration of the statute of limitations related to years subject to audit and foreign currency fluctuations.

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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, for which the Company estimated the aggregate risk at December 31, 2015 to be up to approximately $174.5 for its material indirect tax matters, of which approximately $138.0 and $24.0, 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.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The common shares of the Company are listed on the New York Stock Exchange with a symbol of "DBD." The price ranges of common shares of the Company for the periods indicated below are as follows:

	2015		2014		2013	
	High	Low	High	Low	High	Low
1st Quarter	$36.49	$30.63	$40.78	$32.05	$33.30	$27.59
2nd Quarter	$38.94	$33.21	$41.45	$36.20	$33.95	$28.26
3rd Quarter	$35.79	$29.16	$40.90	$35.00	$35.40	$27.89
4th Quarter	$37.98	$29.60	$38.67	$32.31	$34.44	$28.88
Full Year	$38.94	$29.16	$41.45	$32.05	$35.40	$27.59

There were 56,238 shareholders of the Company at December 31, 2015, which includes an estimated number of shareholders who have shares held in their accounts by banks, brokers, and trustees for benefit plans and the agent for the dividend reinvestment plan.

On the basis of amounts paid and declared quarterly, the annualized dividends per share were $1.15 in 2015, 2014 and 2013.

Information concerning the Company's share repurchases made during the fourth quarter of 2015:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plans (2)
October	137	$37.47	—	2,426,177
November	2,871	$33.80	—	2,426,177
December	425	$30.80	—	2,426,177
Total	3,433	$33.64	—	

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

(2) The total number of shares repurchased as part of the publicly announced share repurchase plan was 13,450,772 as of December 31, 2015. The plan was approved by the Board of Directors in April 1997. The Company may purchase shares from time to time in open market purchases or privately negotiated transactions. The Company may make all or part of the purchases pursuant to accelerated share repurchases or Rule 10b5-1 plans. The plan has no expiration date. The following table provides a summary of Board of Director approvals to repurchase the Company's outstanding common shares:

	Total Number of Shares Approved for Repurchase
1997	2,000,000
2004	2,000,000
2005	6,000,000
2007	2,000,000

2011	1,876,949
2012	2,000,000
	15,876,949

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PERFORMANCE GRAPH

The graph below compares the cumulative 5-Year total return provided shareholders on Diebold, Inc.'s common stock relative to the cumulative total returns of the S&P 500 index, the S&P Midcap 400 index and two customized peer groups both consisting of twenty-five companies whose individual companies are listed in footnotes 1 and 2 below. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our common stock, in each index and in each of the peer groups on 12/31/2010 and its relative performance is tracked through 12/31/2015.

(1) There are twenty-five companies included in the Company's first customized peer group (New Peer Group) which are: Actuant Corp., Allegion PLC, Benchmark Electronics Inc., Brady Corp., Convergys Corp., DST Systems, Fidelity National Information Services, Fiserv Inc., Global Payments Inc., Harris Corp., International Game Technology PLC, Intuit Inc., Lexmark International Inc., Logitech International SA, Mettler Toledo International Inc., NCR Corp., Netapp Inc., Outerwall Inc., Pitney-Bowes Inc., Sensata Technologies Holding NV, The Brinks Company, The Timken Company, Unisys Corp., Western Union Company (The) and Woodward Inc.

(2) The twenty-five companies included in the Company's second customized peer group (Old Peer Group) are: Actuant Corp., Benchmark Electronics Inc., Brady Corp., Convergys Corp., DST Systems, Fidelity National Information Services, Fiserv Inc., Flowserve Corp., Global Payments Inc., Harris Corp., International Game Technology PLC, Intuit Inc., Lexmark International Inc., Logitech International SA, Mettler Toledo International Inc., NCR Corp., Outerwall Inc., Pitney-Bowes Inc., Sensata Technologies Holding NV, SPX Corp., The Brinks Company, The Timken Company, Unisys Corp., Western Union Company (The) and Woodward Inc.

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ITEM 6: SELECTED FINANCIAL DATA

The following table should be read in conjunction with "Part II - Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part II - Item 8 - Financial Statements and Supplementary Data" of this Form 10-K.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in millions, except per share data)				
Results of operations				(unaudited)	(unaudited)
Net sales	$2,419.3	$2,734.8	$2,582.7	$2,724.3	$2,577.4
Cost of sales	1,767.3	2,008.6	1,996.7	2,044.1	1,862.4
Gross profit	$652.0	$726.2	$586.0	$680.2	$715.0
Amounts attributable to Diebold, Incorporated					
Income (loss) from continuing operations, net of tax	$57.8	$104.7	$(195.3)	$62.6	$151.8
Income (loss) from discontinued operations, net of tax	15.9	9.7	13.7	11.0	(7.6)
Net income (loss) attributable to Diebold, Incorporated	$73.7	$114.4	$(181.6)	$73.6	$144.2
Basic earnings (loss) per common share					
Income (loss) from continuing operations, net of tax	$0.89	$1.62	$(3.06)	$1.00	$2.36
Income (loss) from discontinued operations, net of tax	0.24	0.15	0.21	$0.17	(0.12)
Net income (loss) attributable to Diebold, Incorporated	$1.13	$1.77	$(2.85)	$1.17	$2.24
Diluted earnings (loss) per common share					
Income (loss) from continuing operations, net of tax	$0.88	$1.61	$(3.06)	$0.98	$2.35
Income (loss) from discontinued operations, net of tax	0.24	0.15	0.21	$0.17	$(0.12)
Net income (loss) attributable to Diebold, Incorporated	$1.12	$1.76	$(2.85)	$1.15	$2.23
Number of weighted-average shares outstanding					
Basic shares	64.9	64.5	63.7	63.1	64.2
Diluted shares	65.6	65.2	63.7	63.9	64.8
Dividends					
Common dividends paid	$75.6	$74.9	$74.0	$72.8	$72.9
Common dividends paid per share	$1.15	$1.15	$1.15	$1.14	$1.12
Consolidated balance sheet data (as of period end)			(unaudited)	(unaudited)	(unaudited)
Current assets	$1,643.6	$1,655.5	$1,555.4	$1,814.9	$1,732.3

Current liabilities	$955.8	$1,027.8	$893.8	$838.8	$837.9
Net working capital	$687.8	$627.7	$661.6	$976.1	$894.4
Property, plant and equipment, net	$175.3	$165.7	$160.9	$184.3	$192.7
Total long-term liabilities	$858.0	$759.5	$668.9	$908.8	$834.9
Total assets	$2,249.3	$2,342.1	$2,183.5	$2,592.9	$2,517.4
Total equity	$435.5	$554.8	$620.8	$845.3	$844.6

ITEM 7: MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Management’s discussion and analysis should be read in conjunction with the consolidated financial statements and accompanying notes that appear elsewhere in this annual report on Form 10-K.

Introduction

Diebold provides the services, software and technology that connect people around the world with their money — bridging the physical and digital worlds of cash conveniently, securely and efficiently. Since its founding in 1859, the Company believes it has evolved to become a leading provider of exceptional self-service innovation, security and services to financial, retail, commercial and other markets. At December 31, 2015, the Company employed approximately 16,000 associates globally, of which approximately 1,000 relate to the Company's recently divested electronic security business. The Company’s service staff is one of the financial industry’s largest, with professionals in more than 600 locations and businesses in more than 90 countries worldwide. The Company continues to execute its multi-year transformation, Diebold 2.0, with the primary objective of transforming the Company into a world-class, services-led and software-enabled company, supported by innovative hardware, which automates the way people connect with their money.

Diebold 2.0 consists of four pillars:

- Cost - Streamline the cost structure and improve near-term delivery and execution.
- Cash - Generate increased free cash flow in order to fund the investments necessary to drive profitable growth, while preserving the ability to return value to shareholders in the form of reliable dividends and, as appropriate, share repurchases.
- Talent - Attract and retain the talent necessary to drive innovation and the focused execution of the transformation strategy.
- Growth - Return Diebold to a sustainable, profitable growth trajectory.

The Company's multi-year transformation plan is expected to occur in three phases: 1) Crawl, 2) Walk, and 3) Run. As part of the transformation, the Company has identified targeted savings of $200.0 that are expected to be fully realized by the end of 2017 and plans to reinvest approximately 50 percent of the cost savings to drive long-term growth. During the “Crawl” phase, the Company was primarily focused on taking cost out of the business and reallocating a portion of these savings as reinvestments in systems and processes. The Company engaged Accenture LLP (Accenture) in a multi-year outsourcing agreement to provide finance and accounting and procurement business process services. With respect to talent, the Company attracted new leaders from top technology and services companies.

During the second half of 2015, the Company transitioned into the “Walk” phase of Diebold 2.0 whereby the Company will continue to build on each pillar of cost, cash, talent and growth. The main difference in the “Walk” phase will be a greater emphasis on increasing the mix of revenue from services and software, as well as shaping the Company’s portfolio of businesses. As it relates to increasing the mix of services and software, the Company has recently sharpened its focus on pursuing and winning multi-vendor services contracts in North America to further diversify its portfolio of services offerings. The total number of non-Diebold automated teller machines (ATMs) signed under contract as of December 31, 2015 was more than 12,000, which gives the Company a solid platform for future growth. For the software business, the recent acquisition of Phoenix Interactive Design, Inc., (Phoenix) has significantly enhanced the Company’s ability to capture more of the dynamic self-service market. The integration of Phoenix is tracking to plan and all of the Company’s global software activities are being coordinated through the new development center in London, Ontario.

As it relates to shaping the portfolio of businesses, the Company's announcements subsequent to the third quarter of 2015 are consistent with its strategy of transforming into a world-class services-led, software-enabled company, supported by innovative hardware. On October 25, 2015, the Company entered into a definitive asset purchase agreement to divest its North America-based electronic security business. For ES to continue its growth, it would require resources and investment that Diebold is not committed to make given its focus on the self-service market. On February 1, 2016, the Company divested its North America electronic security business to Securitas AB for an aggregate purchase price of $350.0 in cash, 10.0% of which is contingent on the successful transition of certain customer relationships, which management expects to receive full payment of $35.0 in the first quarter of 2016 now that all contingencies for this payment have been achieved. The Company is estimating a pre-tax gain of approximately $245.0 on the ES divestiture which will be recognized in the first quarter of 2016 and is subject to change upon the finalization of the working capital adjustments and the income tax effect of gain on sale. The Company has also agreed to provide certain transition services for a $6.0 credit. Additionally, the Company is narrowing its scope in the Brazil other business to primarily focus on lottery and elections to help rationalize its solution set in that market. These decisions enable the Company to refocus its resources and better position itself to pursue growth opportunities in the dynamic self-service industry.

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MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS as of December 31, 2015
DIEBOLD, INCORPORATED AND SUBSIDIARIES
(unaudited)
(dollars in millions, except per share amounts)

In December 2015, the Company announced it is forming a new joint venture with a subsidiary of the Inspur Group, a Chinese cloud computing and data center company, to develop, manufacture and distribute financial self-service (FSS) solutions in China. Inspur will hold a majority stake of 51 percent in the new joint venture, which will be named Inspur Financial Information Systems, Ltd. The joint venture will offer a complete range of self-service terminals within the Chinese market, including ATMs. Also, Diebold will serve as the exclusive distributor outside of China for all products developed by the new joint venture, which will be sold under the Diebold brand.

In addition, to support Diebold's services-led approach to the market, Inspur will acquire a minority share of Diebold's current China joint venture. 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.

Solutions

The Company believes it is a leader in managed and maintenance services with a dedicated service network serving our customers across the globe. The combination of the Company’s differentiated security, remote management and highly-trained field technicians has made the Company the preferred choice for current and emerging self-service solutions. Through managed services, banks entrust the management of their ATM and security operations to the Company, allowing their associates to focus on core competencies. Furthermore, the Company’s managed services provides banks and credit unions with a leading-edge technology that they need to stay competitive in the marketplace.

A significant demand driver in the global ATM marketplace is branch automation. The concept is to help financial institutions reduce their costs by migrating routine transactions, typically done inside the branch, to lower-cost automated channels, while also growing revenue, and adding convenience and security for the banks’ customers. The Company serves as a strategic partner to its customers by offering a complete branch automation solution-services, software and technology-that addresses the complete value chain of consult, design, build and operate. The Company’s Advisory Services team collaborates with our clients to help define the ideal customer experience, modify processes, refine existing staffing models and deploy technology to meet branch automation objectives. The Diebold 9900 in-lobby teller terminal (ILT) provides branch automation technology by combining the speed and accuracy of a self-service terminal with intelligence from the bank’s core systems, as well as the ability to complete higher value transactions away from the teller line.

The Company also offers hardware-agnostic, omni-channel software solutions for ATMs and a host of other self-service applications. These offerings include highly configurable, enterprise-wide software that automates and migrates financial services across channels, changing the way financial products are delivered to consumers.

Mobile integration is an emerging trend in branch automation, as consumers look for more convenient ways to interact with their financial institutions. To address this need, the Company offers its innovative Mobile Cash Access software solution, which enables consumers to initiate ATM transactions with a mobile device. By eliminating the need for an ATM card, Mobile Cash Access dramatically speeds up transaction time and reduces the risk of card skimming, fraud and theft since sensitive customer information is never stored on the mobile device and is passed to the ATM via a secure virtual private network connection. The Company has demonstrated success with this solution in North America (NA), and Europe, Middle East and Africa (EMEA).

As part of its branch automation solution, the Company offers two-way video capabilities. The solution provides consumers with on-demand access to bank call center representatives at the ATM for sales or bank account maintenance support. In addition to delivering a personal touch outside of regular business hours, it ultimately assists financial institutions by maximizing operational efficiencies, improving the consumer experience and enhancing the overall consumer relationship.

An innovation that enhances security for customers is Diebold’s ActivEdge™ secure card reader. This is the ATM industry’s first complete anti-skimming, EMV compliant card reader that prevents all known forms of skimming, the most prevalent type of ATM crime. ActivEdge™ can assist financial institutions avoid skimming-related fraud losses which, according to the ATM Industry Association, totals more than $2 billion annually worldwide. ActivEdge™ requires users to insert cards into the reader via the long edge, instead of the traditional short edge. the Company believes by shifting a card’s angle 90 degrees, ActivEdge™ prevents modern skimming devices from reading the card’s full magnetic strip, eliminating the devices’ ability to steal card data.

The Company will continue to invest in developing new services, software and security solutions that align with the needs of its customers. During the third quarter, the Company added its high-performance cash-dispensing and full-function ATM models to its self-service platform. Over the past year, the Company has unveiled three new lines of ATMs-standard market, extended branch and the high-performance line, which are designed to meet specific market and branch needs for customers.

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Business Drivers

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

- demand for services and software, including managed services and professional services;
- timing of self-service equipment upgrades and/or replacement cycles;
- demand for products and solutions related to bank branch automation opportunities;
- demand for security products and services for the financial and commercial sectors; and
- high levels of deployment growth for new self-service products in emerging markets.

Pending Business Combination with Wincor Nixdorf

In the fourth quarter of 2015, the Company announced its intention to acquire Wincor Nixdorf ordinary shares through a tender offer for €38.98 in cash and 0.434 common shares of the Company per outstanding ordinary share of Wincor Nixdorf. The Company considered a number of factors in connection with its evaluation of the proposed transaction, including significant strategic opportunities and potential synergies, as generally supporting its decision to enter into the business combination agreement. The final purchase price is dependent on the stock price of the Company at the time of close. Based on the closing stock price of the Company on January 26, 2016 and the U.S. dollar to euro foreign currency exchange rate of $1.0845 per euro, the total estimated purchase price will be $1,609.7 as incorporated in the Company's Form S-4/A filed with the U.S. Securities and Exchange Commission on February 5, 2016. The Company intends to finance the cash portion of the purchase price as well as any Wincor Nixdorf debt outstanding under our revolving and term loan credit agreement entered into on December 23, 2015 and bridge agreement entered into on November 23, 2015.

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The table below presents the changes in comparative financial data for the years ended December 31, 2015, 2014 and 2013. Comments on significant year-to-year fluctuations follow the table. The operating results for the NA electronic security business have been reclassified to discontinued operations for all of the periods presented. The following discussion should be read in conjunction with the consolidated financial statements and the accompanying notes that appear elsewhere in this annual report on Form 10-K.

	Year ended December 31,							
	2015			2014			2013	
		% of Net Sales	% Change		% of Net Sales	% Change		% of Net Sales
Net sales								
Services	$1,394.2	57.6	(2.7)	$1,432.8	52.4	0.8	$1,420.8	55.0
Products	1,025.1	42.4	(21.3)	1,302.0	47.6	12.1	1,161.9	45.0
	2,419.3	100.0	(11.5)	2,734.8	100.0	5.9	2,582.7	100.0
Cost of sales								
Services	932.8	38.6	(4.3)	974.8	35.6	(7.0)	1,048.3	40.6
Products	834.5	34.5	(19.3)	1,033.8	37.8	9.0	948.4	36.7
	1,767.3	73.1	(12.0)	2,008.6	73.4	0.6	1,996.7	77.3
Gross profit	652.0	26.9	(10.2)	726.2	26.6	23.9	586.0	22.7
Selling and administrative expense	488.2	20.2	2.0	478.4	17.5	(15.3)	564.5	21.9
Research, development and engineering expense	86.9	3.6	(7.2)	93.6	3.4	1.5	92.2	3.6
Impairment of assets	18.9	0.8	N/M	2.1	0.1	(97.1)	72.0	2.8
Gain on sale of assets, net	(0.6)	—	(95.3)	(12.9)	(0.5)	N/M	(2.4)	(0.1)
	593.4	24.5	5.7	561.2	20.5	(22.7)	726.3	28.1
Operating profit (loss)	58.6	2.4	(64.5)	165.0	6.0	N/M	(140.3)	(5.4)
Other expense, net	(12.8)	(0.5)	24.3	(10.3)	(0.4)	N/M	(1.5)	(0.1)
Income (loss) from continuing operations before taxes	45.8	1.9	(70.4)	154.7	5.7	N/M	(141.8)	(5.5)
Income tax (benefit) expense	(13.7)	(0.6)	N/M	47.4	1.7	(2.1)	48.4	1.9
Income (loss) from continuing operations	59.5	2.5	(44.5)	107.3	3.9	N/M	(190.2)	(7.4)
Income from discontinued operations, net of tax	15.9	0.6	63.9	9.7	0.4	(29.2)	13.7	0.6
Net income (loss)	75.4	3.1	(35.6)	117.0	4.3	N/M	(176.5)	(6.8)
Net income attributable to noncontrolling interests	1.7	0.1	(34.6)	2.6	0.1	(49.0)	5.1	0.2
Net income (loss) attributable to Diebold, Incorporated	$73.7	3.0	(35.6)	$114.4	4.2	N/M	$(181.6)	(7.0)

Amounts attributable to Diebold, Incorporated

Income (loss) from continuing operations, net of tax	$57.8	2.4	$104.7	3.8	$(195.3)	(7.6)
Income from discontinued operations, net of tax	15.9	0.6	9.7	0.4	13.7	0.6
Net income (loss) attributable to Diebold, Incorporated	$73.7	3.0	$114.4	4.2	$(181.6)	(7.0)

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RESULTS OF OPERATIONS
2015 comparison with 2014
Net Sales
The following table represents information regarding our net sales for the years ended December 31:

	2015	2014	$ Change	% Change
Total financial self-service	$2,108.7	$2,197.2	$(88.5)	(4.0)
Total security	292.8	312.4	(19.6)	(6.3)
Total financial self-service & security	2,401.5	2,509.6	(108.1)	(4.3)
Brazil other	17.8	225.2	(207.4)	(92.1)
Total net sales	$2,419.3	$2,734.8	$(315.5)	(11.5)

FSS sales decreased $88.5 or 4.0 percent inclusive of a net unfavorable currency impact of $161.2. The unfavorable currency impact was related primarily to the Brazil real and the euro. The following segment results include the impact of foreign currency.

- NA FSS sales increased $6.4 or 0.7 percent due primarily to increased volume in Canada from a large deposit automation upgrade project combined with the incremental sales from the acquisition of Phoenix in the first quarter of 2015. The United States (U.S.) experienced growth in multi-vendor services within the national bank space as significant contracts were won in the first, third and fourth quarters of 2015. This favorability was partially offset by a product volume decline related to two large enterprise accounts in the U.S. and the winding down of the Agilis 3 and Windows 7 upgrade project in the U.S. regional bank space.

- Asia Pacific (AP) FSS sales decreased $55.9 or 11.7 percent impacted by $17.8 in unfavorable currency. The decline was primarily attributable to a decrease in product revenue in China where the government is encouraging banks to increase their use of domestic ATM suppliers. This decline was partially offset by an increase in service revenue as India, Philippines and China have experienced growth in their service installation base as well as higher professional services volume across a majority of the region.

- EMEA FSS sales decreased $28.3 or 6.7 percent inclusive of a $66.6 unfavorable currency impact mainly related to the weakening of the euro. Excluding the unfavorable currency impact, EMEA FSS sales increased $38.3 due to higher product volume in Turkey and with European distributors, as well as a full year benefit of Cryptera, which was acquired in the third quarter of 2014. In addition to the unfavorable currency, offsetting declines occurred in Italy due to lower product volume while Belgium, Austria and the UK had large projects in 2014.

- Latin America (LA) FSS sales decreased $10.7 or 2.5 percent inclusive of $69.5 unfavorable currency impact mainly related to the weakening of the Brazil real. Excluding the unfavorable currency impact, LA FSS sales increased $58.8 due to growth across a majority of the region, including Mexico which experienced double digit growth related to several customers renewing their existing ATM fleets. This was offset by the unfavorable currency impact and the sale of the Company's equity interest in the Venezuelan joint venture.

Security sales decreased $19.6 or 6.3 percent impacted by $6.1 in unfavorable currency. Approximately two-thirds of the decrease was related to continuing electronic security business, driven by volume declines in LA due to government mandated security updates in 2014. There were volume declines in AP as a result of exiting the business in Australia. Physical security was down due to volume declines in AP, LA and both the regional and national bank space in the U.S.

Brazil other sales included an unfavorable currency impact of $62.8 and a decrease related to deliveries of information technology (IT) equipment to the Brazil education ministry in the prior year. Additionally, market-specific economic and political factors continue to weigh on the purchasing environment driving lower volume in country.

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Gross Profit
The following table represents information regarding our gross profit for the years ended December 31:

	2015	2014	$ Change	% Change
Gross profit - services	$461.4	$458.0	$3.4	0.7
Gross profit - products	190.6	268.2	(77.6)	(28.9)
Total gross profit	$652.0	$726.2	$(74.2)	(10.2)
Gross margin - services	33.1 %	32.0 %		
Gross margin - products	18.6 %	20.6 %		
Total gross margin	26.9 %	26.6 %		

Service gross margin increased during the time period with slight improvements throughout the international regions. AP service gross margin increased largely due to operational efficiencies gained through organizational restructuring while EMEA was driven primarily by higher service parts volume with EMEA distributors. LA’s margin improvement was driven by Venezuela, which had a lower cost of market adjustment in 2014 that favorably affected margins between the time periods. NA experienced a declines in gross margin and gross profit as a result of volume and service mix. Service gross profit in 2015 and 2014 included restructuring charges of $3.1 and $1.3, respectively.

Product gross margin decreased during the time period due to a decline in volume and a shift in product solution mix. In addition, product gross margin was adversely impacted by $4.7 of inventory reserves related to the cancellation of certain projects in connection with the current Brazil economic and political environment. Product gross profit included total restructuring charges and non-routine expenses of $1.6 in 2015 and net benefit of $5.2 in 2014, which was related to Brazil indirect tax reversals.

Operating Expenses
The following table represents information regarding our operating expenses for the years ended December 31:

	2015	2014	$ Change	% Change
Selling and administrative expense	$488.2	$478.4	$9.8	2.0
Research, development and engineering expense	86.9	93.6	(6.7)	(7.2)
Impairment of assets	18.9	2.1	16.8	N/M
Gain on sale of assets, net	(0.6)	(12.9)	12.3	(95.3)
Total operating expenses	$593.4	$561.2	$32.2	5.7

The increase in selling and administrative expense resulted primarily from higher non-routine and restructuring charges and an increase in the bad debt reserve of $4.6 in the third quarter of 2015 related to the cancellation of a previously awarded government contract in connection with the current Brazil economic and political environment, net of lower operational spend and favorable currency impact.

Non-routine expenses of $36.3 and $9.2 were included in 2015 and 2014, respectively. The non-routine expenses pertained to legal, indemnification and professional fees related to corporate monitor efforts, which was $14.7 and $9.2 in 2015 and 2014, respectively. Additionally, 2015 included divestiture and potential acquisition costs of $21.1 in non-routine expense, with no comparable expense in 2014. Selling and administrative expense also included $16.7

and $9.7 of restructuring charges in 2015 and 2014, respectively. Restructuring charges in 2015 and 2014 consisted of the Company's transformation and business process outsourcing initiative. There were additional costs in 2015 associated with executive delayering.

Research, development and engineering expense as a percent of net sales in 2015 and 2014 were relatively flat. The Company increased investment in 2015 related to the acquisition and integration of Phoenix as well as incremental expense associated with the acquisition of Cryptera, which was completed in the second half of 2014. This increase was offset by favorable currency impact and a decrease between the time periods mainly due to higher material and labor costs in 2014 related to the launch of new ATM models and enhanced modules.

As of March 31, 2015, the Company agreed to sell its equity interest in its Venezuela joint venture to its joint venture partner and recorded a $10.3 impairment of assets in the first quarter of 2015. On April 29, 2015, the Company closed the sale for the estimated fair market value and recorded a $1.0 reversal of impairment of assets based on final adjustments in the second quarter of 2015, resulting in a $9.3 impairment of assets. Final fair value adjustments resulted in an overall impairment of $9.7. The Company no longer has a consolidating entity in Venezuela but will continue to operate in Venezuela on an indirect basis. Additionally, the Company recorded an impairment related to other intangibles in LA in the second quarter of 2015 and an impairment of $9.1 related to redundant legacy Diebold internally-developed software as a result of the acquisition of Phoenix in the first quarter of 2015 in which the carrying amounts of the assets were not recoverable.

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During the second quarter of 2014, the Company divested its Eras subsidiary, resulting in a gain on sale of assets of $13.7.

Operating Profit

The following table represents information regarding our operating profit (loss) for the years ended December 31:

	2015	2014	$ Change	% Change
Operating profit	$58.6	$165.0	$(106.4)	(64.5)
Operating profit margin	2.4%	6.0%		

The decrease in operating profit resulted from lower product revenue primarily in Brazil and China combined with higher net non-routine and restructuring charges. Impairment of assets and gain on sales of assets unfavorably impacted operating profit as a result of impairments in the first half of 2015 and the gain on the sale of Eras in 2014. Improvement in service margin helped to partially offset these declines.

Other (Expense) Income

The following table represents information regarding our other (expense) income for the years ended December 31:

	2015	2014	$ Change	% Change
Investment income	$26.0	$34.5	$(8.5)	(24.6)
Interest expense	(32.5)	(31.4)	(1.1)	3.5
Foreign exchange loss, net	(10.0)	(11.8)	1.8	(15.3)
Miscellaneous, net	3.7	(1.6)	5.3	N/M
Other (expense) income	$(12.8)	$(10.3)	$(2.5)	24.3

The decrease in investment income was driven primarily by unfavorable currency impact in Brazil. The foreign exchange loss net for 2015 and 2014 included $7.5 and $12.1, respectively, related to the devaluation of the Venezuela currency. The change in miscellaneous, net was primarily related to income derived from the fair value re-measurement of foreign currency option contracts.

Net Income from Continuing Operations, net of tax

The following table represents information regarding our net income from continuing operations, net of tax for the years ended December 31:

	2015	2014	$ Change	% Change
Net income (loss)	$59.5	$107.3	$(47.8)	(44.5)
Percent of net sales	2.5%	3.9%		
Effective tax rate	(29.9)%	30.6%		

The decrease in net income was driven by lower operating profit resulting from lower product revenue in conjunction with higher net non-routine and restructuring charges as well as a net detriment between years associated with impairment of assets and gain on sales of assets.

The tax rate benefit for the year ended December 31, 2015 resulted from the repatriation of foreign earnings, the associated recognition of foreign tax credits and related benefits due to the passage of the Protecting Americans from Tax Hikes (PATH) Act of 2015.

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Income from Discontinued Operations, Net of Tax
On February 1, 2016, the Company executed a definitive asset purchase agreement (Purchase Agreement) with a wholly owned subsidiary of Securitas AB (Securitas Electronic Security) to divest its electronic security business located in the U.S. and Canada for an aggregate purchase price of approximately $350.0 in cash, 10.0 percent of which is contingent based on the successful transition of certain customer relationships, which management expects to receive full payment of $35.0 in the first quarter of 2016 now that all contingencies for this payment have been achieved. The Company has also agreed to provide certain transition services to Securitas Electronic Security after the closing, including providing the Securitas Electronic Security a $6.0 credit for such services.

Income from discontinued operations, net of tax was $15.9 and $9.7 for the years ended December 31, 2015 and 2014, respectively. The operating results for the electronic security business were previously included in the Company's NA segment and have been reclassified to discontinued operations for all of the periods presented. Additionally, the assets and liabilities of this business are classified as held for sale in the Company's consolidated balance sheets for all of the periods presented.

Segment Revenue and Operating Profit Summary
The following tables represent information regarding our revenue and operating profit by reporting segment for the years ended December 31:

North America:	2015	2014	$ Change	% Change
Revenue	$1,094.5	$1,091.4	$3.1	0.3
Segment operating profit	$250.1	$266.3	$(16.2)	(6.1)
Segment operating profit margin	22.9 %	24.4 %		

NA revenue increased due to higher FSS sales. The key drivers of this growth were higher volume in Canada from a large deposit automation upgrade project, increased multi-vendor services revenue in the U.S. and the acquisition of Phoenix. This was offset in part by decreased product volume in the U.S. in both the national and regional bank space. Physical security sales were lower between the time periods with volume declines in product revenue more than offsetting an increase in service. Operating profit decreased principally due to the mix between regional and national customers, product mix and increased operating expenses resulting from the Phoenix acquisition.

Asia Pacific:	2015	2014	$ Change	% Change
Revenue	$439.6	$500.3	$(60.7)	(12.1)
Segment operating profit	$63.1	$66.4	$(3.3)	(5.0)
Segment operating profit margin	14.4 %	13.3 %		

AP revenue in 2015 decreased from the prior year mainly as a result of a 39.4 percent decline in product revenue in China where the government is encouraging banks to increase their use of domestic ATM suppliers. AP Revenue in 2015 was also adversely impacted by unfavorable currency of $19.3. These declines were partially offset by service revenue growth in a majority of the countries related to higher professional services and billed work volume. Operating profit decreased as a result of lower product volume combined with higher operating expense, which was offset by increased service margin largely due to operational efficiencies gained through organizational restructuring.

Europe, Middle East and Africa:	2015	2014	$ Change	% Change
Revenue	$393.1	$421.2	$(28.1)	(6.7)
Segment operating profit	$55.3	$61.4	$(6.1)	(9.9)

Segment operating profit margin	14.1 %	14.6 %

EMEA revenue decreased primarily due to an unfavorable currency impact of $66.6 as well as product volume declines in Italy, Belgium, Austria and the UK. This was offset by higher product volume in the Middle East and increased service parts sales to distributors, as well as the benefit of the Cryptera acquisition of $8.6. Operating profit declined primarily due to the aforementioned currency impact as well as lower product volume and revenue mix combined with higher operating expenses due to incremental spend resulting from the Cryptera acquisition. This was offset by additional service revenue associated with parts sales to a distributor in the Middle East.

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Latin America:	2015	2014	$ Change	% Change
Revenue	$492.1	$721.9	$(229.8)	(31.8)
Segment operating profit	$37.4	$68.7	$(31.3)	(45.6)
Segment operating profit margin	7.6%	9.5%		

LA revenue decreased in 2015 compared to 2014, including a net unfavorable currency impact of $136.9. In Brazil, market-specific economic and political factors affecting the purchasing environment have driven lower Brazil other volume as well as a delivery of IT equipment to a Brazil education ministry in 2014 that was non-recurring. This was partially offset by FSS revenue growth related to product volume, particularly in Mexico where several customers are renewing their install bases. Operating profit decreased due to product volume decline in the Brazil other business and $9.3 of bad debt and inventory reserve increases primarily related to the cancellation of previously awarded government contracts in connection with the current Brazil economic and political environment. Operating profit benefited from decreased operating expenses during the time period mainly related to favorable currency impact.

Refer to note 20 to the consolidated financial statements, which is contained in Item 8 of this annual report on Form 10-K, for further details of segment revenue and operating profit.

2014 comparison with 2013
Net Sales
The following table represents information regarding our net sales for the years ended December 31:

	2014	2013	$ Change	% Change
Total financial self-service	$2,197.2	$2,166.4	$30.8	1.4
Total security	312.4	344.3	(31.9)	(9.3)
Brazil other	225.2	72.0	153.2	N/M
Total net sales	$2,734.8	$2,582.7	$152.1	5.9

The increase in FSS sales included a net unfavorable currency impact of $53.2 or 2.5 percent, of which 43 percent related to the Brazil real. The following segment results include the impact of foreign currency. NA FSS sales decreased $17.6 or 2.0 percent primarily from lower volume within the U.S. national bank business partially offset by improvement between years in the U.S. regional bank space and Canada. AP FSS sales increased $19.6 or 4.3 percent primarily due to growth in India, China and the Philippines partially offset by a decline in Indonesia due to a large order in the prior year. EMEA FSS sales increased $59.6 or 16.5 percent with the main drivers being growth in Western Europe, higher volume in Africa and the acquisition of Cryptera. LA FSS sales decreased $30.8 or 6.6 percent due to lower product sales volume primarily in Brazil, a decline in Colombia and a decrease in Venezuela resulting from the currency control policy of the Venezuelan government offset by higher volume in Mexico and a net gain in the rest of the region.

Security sales decreased due to a decline in the physical security business, which was partially offset by an increase in the electronic security business. From a regional perspective, the decrease in total physical security sales resulted primarily from a decline in NA. The increase in electronic security related to LA, where in Chile a large government project was completed in the fourth quarter of 2014.

Brazil other increased due to lottery sales volume combined with the favorable impact of deliveries of IT equipment to the education ministry primarily in the first quarter of 2014, which are not expected to recur in 2015, offset in part by a decrease in election systems sales.

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Gross Profit

The following table represents information regarding our gross profit for the years ended December 31:

	2014	2013	$ Change	% Change
Gross profit - services	$458.0	$372.5	$85.5	23.0
Gross profit - products	268.2	213.5	54.7	25.6
Total gross profit	$726.2	$586.0	$140.2	23.9
Gross margin - services	32.0 %	26.2 %		
Gross margin - products	20.6 %	18.4 %		
Total gross margin	26.6 %	22.7 %		

The increase in service gross margin was primarily driven by NA, which benefited from lower employee-related expense associated with restructuring initiatives implemented as part of the Company’s service transformation efforts, including the ongoing benefit from its pension freeze and voluntary early retirement program. Total service gross margin in 2014 compared to the prior year was also favorably impacted by margin improvement in LA. Total service gross profit in 2014 and 2013 included restructuring charges of $0.5 and $25.6, respectively.

The increase in product gross margin resulted from margin improvements in each international region. LA was a strong contributor as the Company benefited from certain contractual provisions in Venezuela that settled in the year ended December 31, 2014. EMEA was also a contributor largely due to higher volume. Total product gross profit in 2014 included a non-routine benefit of $5.8 and 2013 included non-routine expense of $0.8, both of which were related to Brazil indirect taxes.

Operating Expenses

The following table represents information regarding our operating expenses for the years ended December 31:

	2014	2013	$ Change	% Change
Selling and administrative expense	$478.4	$564.5	$(86.1)	(15.3)
Research, development and engineering expense	93.6	92.2	1.4	1.5
Impairment of assets	2.1	72.0	(69.9)	(97.1)
Gain on sale of assets, net	(12.9)	(2.4)	(10.5)	N/M
Total operating expenses	$561.2	$726.3	$(165.1)	(22.7)

The decrease in selling and administrative expense resulted primarily from lower non-routine expense and restructuring charges, savings realized from the Company's continued focus on cost structure and favorable currency impact, partially offset by the reinvestment of the Company’s savings into transformation initiatives. Non-routine expenses of $9.2 and $128.7 were included in 2014 and 2013, respectively. The primary components of the 2013 non-routine expense were a $67.6 non-cash pension charge, additional losses of $28.0 related to the settlement of the Foreign Corrupt Practices Act (FCPA) investigation, $17.2 related to the settlement of the securities class action lawsuit and executive severance costs of $9.3. Selling and administrative expense also included $9.7 and $20.3 of restructuring charges in 2014 and 2013, respectively. Restructuring charges in 2014 and 2013 related to the Company's multi-year realignment plan. Excluding non-routine expenses and restructuring charges, selling and administrative expense increased $43.9, which is nearly flat as a percentage of net sales in 2014 compared to the prior year. The increase in selling and administrative expense primarily relates to incremental commission expense and investments related to our back office transformation.

Research, development and engineering expense as a percent of net sales in 2014 and 2013 were relatively flat. The Company increased investment in 2014 related to development efforts to support the Company's innovation in future products, which was offset by restructuring charges of $6.0 incurred in 2013.

The Company performed an other-than-annual assessment for its Brazil reporting unit in the third quarter of 2013 based on a two-step impairment test and concluded that the goodwill within the Brazil reporting unit was partially impaired. The Company recorded a $70.0 pre-tax, non-cash goodwill impairment charge in the third quarter of 2013 due to deteriorating macro-economic outlook, structural changes to an auction-based purchasing environment and new competitors entering the market.

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During the second quarter of 2014, the Company divested Eras within the NA segment, resulting in a gain on sale of assets of $13.7. During the first quarter of 2013, the Company recognized a gain on assets of $2.2 resulting from the sale of certain U.S. manufacturing operations to a long-time supplier.

Operating Profit (Loss)

The following table represents information regarding our operating profit (loss) for the years ended December 31:

	2014	2013	$ Change	% Change
Operating profit (loss)	$165.0	$(140.3)	$305.3	N/M
Operating profit (loss) margin	6.0%	(5.4)%		

The increase in operating profit (loss) resulted from a reduction in operating expense mainly due to lower non-routine and restructuring charges. Operating profit also improved in total margin and higher product sales, offset in part by higher spend partially attributable to reinvestment of the Company's savings into transformation strategies.

Other (Expense) Income

The following table represents information regarding our other (expense) income for the years ended December 31:

	2014	2013	$ Change	% Change
Investment income	$34.5	$27.6	$6.9	25.0
Interest expense	(31.4)	(29.2)	(2.2)	7.5
Foreign exchange (loss) gain, net	(11.8)	0.2	(12.0)	N/M
Miscellaneous, net	(1.6)	(0.1)	(1.5)	N/M
Other (expense) income	$(10.3)	$(1.5)	$(8.8)	N/M

The increase in investment income compared to the prior year was driven by LA due to leasing portfolio growth in Brazil. The foreign exchange loss for 2014 and the foreign exchange gain in 2013 included losses of $12.1 and $1.6, respectively, related to the devaluation of the Venezuelan currency.

Income from Discontinued Operations, Net of Tax

Income from discontinued operations, net of tax was $9.7 and $13.7 for the years ended December 31, 2014 and 2013, respectively. The operating results for the electronic security business were previously included in the Company's NA segment and have been reclassified to discontinued operations for all of the periods presented. Additionally, the assets and liabilities of this business are classified as held for sale in the Company's consolidated balance sheet for all of the periods presented.

Income (Loss) from Continuing Operations, Net of Tax

The following table represents information regarding our income (loss) from continuing operations, net of tax, for the years ended December 31:

2014	2013	$ Change	% Change
$107.3	$(190.2)	$297.5	N/M

Income (loss) from continuing operations, net of tax		
Percent of net sales	3.9 %	(7.4)%
Effective tax rate	30.6 %	(34.1)%

The increase in net income was driven by higher operating profit related mainly to significantly lower non-routine and restructuring expense, an improvement in service margin and higher product sales. These benefits were offset in part by higher spend partially attributable to reinvestment of the Company’s savings into transformation initiatives and unfavorable other (expense) income in 2014 resulting from foreign exchange loss due to the devaluation of the Venezuelan currency.

(dollars in millions, except per share amounts)

The negative tax rate for 2013 is a result of tax expense of approximately $55.0 related to the repatriation of previously undistributed earnings and the establishment of a valuation allowance of approximately $39.2 on deferred tax assets in the Company's Brazil manufacturing facility. The 2013 tax rate was also negatively impacted by the partially non-deductible goodwill impairment related to the Brazil reporting unit and the FCPA penalty charge.

Segment Revenue and Operating Profit Summary

The following tables represent information regarding our revenue and operating profit by reporting segment for the years ended December 31:

North America:	2014	2013	$ Change	% Change
Revenue	$1,091.4	$1,140.2	$(48.8)	(4.3)
Segment operating profit	$266.3	$232.4	$33.9	14.6
Segment operating profit margin	24.4 %	20.4 %		

NA revenue decreased due to lower FSS sales resulting from decreased volume in the U.S. national bank sector partially due to the impact of a large non-recurring project in the prior year, offset in part by improvement between years in the U.S. regional bank business and Canada. NA revenue also declined due to lower physical security sales between years. Operating profit increased despite the net sales decline due to an improvement in service margin primarily driven by lower employee-related expense resulting from restructuring initiatives in addition to the ongoing benefit from the Company's pension freeze and voluntary early retirement program.

Asia Pacific:	2014	2013	$ Change	% Change
Revenue	$500.3	$479.1	$21.2	4.4
Segment operating profit	$66.4	$62.8	$3.6	5.7
Segment operating profit margin	13.3 %	13.1 %		

AP revenue in 2014 included net unfavorable currency impact of $14.1. Including the impact of foreign currency, revenue in 2014 compared to 2013 increased mainly from growth in India, China and the Philippines partially offset by a decrease in Indonesia because of a large order in 2013. Operating profit increased due to higher volume and improved margin performance in the region partially offset by higher operating expense.

Europe, Middle East and Africa:	2014	2013	$ Change	% Change
Revenue	$421.2	$362.2	$59.0	16.3
Segment operating profit	$61.4	$44.0	$17.4	39.5
Segment operating profit margin	14.6 %	12.1 %		

EMEA revenue increased primarily from higher sales volume in Western Europe and Africa. The acquisition of Cryptera in the third quarter of 2014 resulted in incremental revenue and operating profit of $14.9 and $1.2, respectively. The overall volume increase led to product gross margin expansion driving the improvement in operating profit compared to the prior year.

Latin America:	2014	2013	$ Change	% Change
Revenue	$721.9	$601.1	$120.8	20.1
Segment operating profit	$68.7	$41.5	$27.2	65.5

Segment operating profit margin	9.5 %	6.9 %

LA revenue increased in 2014 compared to 2013, including a net unfavorable currency impact of $29.1. The constant currency revenue improvement related to lottery sales volume and deliveries of IT equipment to the education ministry in the first quarter of 2014 partially offset by a decrease in FSS volume and elections systems sales. Operating profit increased as a result of the higher product sales volume, the benefit from certain contractual provisions in Venezuela that settled in the year ended December 31, 2014 and a gain in service margin primarily in Brazil. This was partially offset by an increase in operating expenses and a lower of cost or market adjustment of $4.1 in 2014 as a result of the Venezuelan currency devaluation.

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MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS as of December 31, 2015
DIEBOLD, INCORPORATED AND SUBSIDIARIES
(unaudited)
(dollars in millions, except per share amounts)

Refer to note 20 to the consolidated financial statements, which is contained in Item 8 of this annual report on Form 10-K, for further details of segment revenue and operating profit.

LIQUIDITY AND CAPITAL RESOURCES

Capital resources are obtained from income retained in the business, borrowings under the Company’s senior notes, committed and uncommitted credit facilities and operating and capital leasing arrangements. Management expects that the Company’s capital resources will be sufficient to finance planned working capital needs, research and development activities, investments in facilities or equipment, pension contributions, the payment of dividends on the Company’s common shares and any repurchases of the Company’s common shares for at least the next 12 months. At December 31, 2015, $326.5 or 92.4 percent of the Company’s cash and cash equivalents and short-term investments reside in international tax jurisdictions. Repatriation of these funds could be negatively impacted by potential payments for foreign and domestic taxes, excluding $107.1 that is available for repatriation with no additional tax expense because the Company has already provided for such taxes. Part of the Company’s growth strategy is to pursue strategic acquisitions. The Company has made acquisitions in the past and intends to make acquisitions in the future, including the potential acquisition of Wincor Nixdorf. The Company intends to finance any future acquisitions with either cash and short-term investments, cash provided from operations, borrowings under available credit facilities, proceeds from debt or equity offerings and/or the issuance of common shares. The Company intends to finance the cash portion of the purchase price as well as any Wincor Nixdorf debt outstanding under our revolving and term loan credit agreement entered into on December 23, 2015 and bridge agreement entered into on November 23, 2015.

The Company's global liquidity as of December 31, 2015 and 2014 was as follows:

	2015	2014
Cash and cash equivalents	$313.6	$326.1
Additional cash availability from		
Short-term uncommitted lines of credit	69.0	115.2
Five-year credit facility	352.0	280.0
Short-term investments	39.9	136.7
Total global liquidity	$774.5	$858.0

The following table summarizes the results of our consolidated statement of cash flows for the years ended December 31:

Net cash flow provided by (used in)	2015	2014	2013
Operating activities - continuing operations	$31.6	$189.1	$122.9
Investing activities - continuing operations	(62.4)	15.1	(51.1)
Financing activities - continuing operations	42.2	(81.2)	(204.5)
Discontinued operations, net	2.6	(3.5)	(0.3)
Effect of exchange rate changes on cash and cash equivalents	(23.9)	(28.2)	(5.1)
Net (decrease) increase in cash and cash equivalents	$(9.9)	$91.3	$(138.1)

Operating Activities. Cash flows from operating activities can fluctuate significantly from period to period as working capital needs and the timing of payments for income taxes, restructuring activities, pension funding and other items impact reported cash flows. Net cash provided by operating activities was $31.6 for the year ended December 31, 2015, a decrease of $157.5 from $189.1 for the year ended December 31, 2014. The overall decline was primarily due to lower income from continuing operations, higher working capital and reductions in deferred revenue. Additional detail is included below:

Cash flows from continuing operating activities during the year ended December 31, 2015 compared to the year ended December 31, 2014 were negatively impacted by a $47.8 decrease in income from continuing operations, net of tax, primarily related to the aforementioned market-specific economic and political factors affecting the purchasing environment in Brazil, bad debt and inventory reserve increases related to the cancellation of certain projects in connection with the current Brazil economic and political environment, $18.9 impairment of assets, the adverse impact of foreign currency compared to the same period of 2014, and the gain on sale of assets of $13.7 in the second quarter of 2014 which resulted from the Company's divestiture of its Eras subsidiary. The decrease in share-based compensation expense to $12.4 in 2015 from $21.5 in 2014 was primarily due to changes in the assumptions related to performance shares. The impairment of assets, primarily in the first quarter of 2015, related to the sale of the Company's equity interest in Venezuela as well as impairment of redundant legacy Diebold internally-developed software as a result of the acquisition of Phoenix.

- Accounts receivable and inventory used an aggregate of $107.6 during the year ended December 31, 2015 compared to the $81.0 during the year ended December 31, 2014. The $26.6 increase related to an increase in accounts receivable related to unbilled work which impacted the timing of cash collections and a build up in inventory related to securing multi-vendor services contracts in North America.
- Deferred revenue used $14.7 of operating cash during the year ended December 31, 2015, compared to $50.7 provided in the year ended December 31, 2014. The decrease in cash flow associated with deferred revenue is due to a reduction of prepayments, primarily in China, received from customers on service contracts and product sales compared to the same period of 2014 and higher installations in 2015.
- The aggregate of refundable and deferred income taxes used $46.4 of operating cash during the year ended December 31, 2015, compared to $1.7 used in 2014. This increase in cash used in operating activities is a result of the timing of cash payments for income taxes related to 2014 and the increase in deferred tax assets related to foreign tax credits and credits related to research and development activities primarily in the U.S.

Investing Activities. Net cash used in investing activities was $62.4 for the year ended December 31, 2015 compared to net cash provided by investing activities of $15.1 for the year ended December 31, 2014. The $77.5 change was primarily related to a $37.7 decrease in net investment activity primarily in Brazil, which is primarily used to fund the repayment of our offshore debt, a decrease of $13.4 in proceeds from the sale of assets related to the sale of Eras in the second quarter of 2014, and a $47.7 increase in cash payments related to the acquisitions. These were partially offset by a decrease of $7.8 in capital expenditures related to capital reinvestment in Diebold's transformation strategy to $52.3 for the year ended December 31, 2015 from $60.1 for the year ended December 31, 2014.

The Company anticipates capital expenditures of approximately $40.0 related primarily to the completion of the reinvestment of capital in connection with the Diebold transformation strategy, which is expected to culminate in 2016. These capital expenditures will be expended primarily in North America. Currently, we finance these investments primarily with funds provided by income retained in the business, borrowings under Diebold's committed and uncommitted credit facilities, and operating and capital leasing arrangements.

Financing Activities. Net cash provided by financing activities was $42.2 for the year ended December 31, 2015 compared to net cash used in financing activities of $81.2 for the year ended 2014, an increase of $123.4. The increase was primarily due to a $134.2 change in debt borrowing net of repayments, including associated debt issuance costs, year-over-year as a result of funding the $75.6 in dividend payments and the Phoenix acquisition with borrowings from the credit facility, partially offset by a decrease of $11.1 related to the issuance of common shares.

Effect of exchange rate changes on cash and cash equivalents was negatively impacted by $9.5 and $6.1 related to the currency devaluation in Venezuela for the years ended December 31, 2015 and 2014.

Benefit Plans. The Company is not currently planning to contribute to its pension plans during the year ending December 31, 2016. Beyond 2016, minimum statutory funding requirements for the Company's U.S. pension plans may become more significant. The actual amounts required to be contributed are dependent upon, among other things, interest rates, underlying asset returns and the impact of legislative or regulatory actions related to pension funding obligations. The Company has adopted a pension investment policy designed to achieve an adequate funded status based on expected benefit payouts and to establish an asset allocation that will meet or exceed the return assumption while maintaining a prudent level of risk. The plan's target asset allocation adjusts based on the plan's funded status. As the funded status improves or declines, the debt security target allocation will increase and decrease, respectively. Management monitors assumptions used for our actuarial projections as well as any funding requirements for the plans.

Payments due under the Company's other post-retirement benefit plans are not required to be funded in advance. Payments are made as medical costs are incurred by covered retirees, and are principally dependent upon the future cost of retiree medical benefits under these plans. The Company expects the other post-retirement benefit plan payments to be approximately $1.4 in 2016 (refer to note 13 to the consolidated financial statements, which is contained in Item 8 of this annual report on Form 10-K, for further discussion of the Company's pension and other post-retirement benefit plans).

The Company records a curtailment when an event occurs that significantly reduces the expected years of future service or eliminates the accrual of defined benefits for the future services of a significant number of employees. A curtailment gain is recorded when the employees who are entitled to the benefits terminate their employment; a curtailment loss is recorded when it becomes probable a loss will occur. Expense from curtailments is recorded in selling and administrative expense.

Dividends. The Company paid dividends of $75.6, $74.9 and $74.0 in the years ended December 31, 2015, 2014 and 2013, respectively. Annualized dividends per share were $1.15 for each of the years ended December 31, 2015, 2014 and 2013. The first quarterly dividend of 2016 is 28.75 cents per share. The Company announced during the fourth quarter of 2015, its intention to pay a dividend at a rate less than the Company's current annual dividend rate, following the close of the potential business combination with Wincor Nixdorf.

(dollars in millions, except per share amounts)

Contractual Obligations. The following table summarizes the Company’s approximate obligations and commitments to make future payments under contractual obligations as of December 31, 2015:

		Payment due by period			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt	$645.1	$207.0	$51.6	$386.5	$—
Interest on debt [1]	49.8	14.8	20.4	14.6	—
Minimum operating lease obligations	128.1	43.4	47.8	24.2	12.7
Purchase commitments	9.3	9.3	—	—	—
Deal related costs	29.0	29.0	—	—	—
Total	$861.3	$303.5	$119.8	$425.3	$12.7

(1) Amounts represent estimated contractual interest payments on outstanding long-term debt and notes payable. Rates in effect as of December 31, 2015 are used for variable rate debt.

At December 31, 2015, the Company also maintained uncertain tax positions of $13.1, for which there is a high degree of uncertainty as to the expected timing of payments (refer to note 5 to the consolidated financial statements, which is contained in Item 8 of this annual report on Form 10-K).

The Company had various short-term uncommitted lines of credit with borrowing limits of $89.0 and $139.9, of which $20.0 and $24.7 were outstanding as of December 31, 2015 and 2014, respectively. The weighted-average interest rate on outstanding borrowings on the short-term uncommitted lines of credit as of December 31, 2015 and 2014 was 5.66 percent and 2.96 percent, respectively. The increase in the weighted-average interest rate is attributable to the change in mix of borrowings in foreign entities. Short-term uncommitted lines mature in less than one year. The amount available under the short-term uncommitted lines at December 31, 2015 was $69.0.

The Company entered into a revolving and term loan credit agreement (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 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 existing $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 secured revolving facility (the Revolving Facility) in an amount of up to $520.0 and a new (non-delayed draw) secured term loan A facility (the Term A Facility) on substantially the same terms as the Delayed Draw Term Facility (as defined in the Credit Agreement) in the amount of up to $230.0. The Revolving Facility and Term A Facility will be subject to the same maximum consolidated net leverage ratio and minimum consolidated interest coverage ratio as the Delayed Draw Term Facility. On December 23, 2020, the Term A Facility will mature and the Revolving Facility automatically terminates. The weighted-average interest rate on the term loan as of December 31, 2015 was 2.33 percent, which is variable based on the London Interbank Offered Rate (LIBOR).

The amount available under the Revolving Facility as of December 31, 2015 was $352.0. The Company incurred $6.0 and $1.4 of fees related to amending its credit facility in 2015 and 2014, respectively, which are amortized as a component of interest expense over the term of the facility.

In March 2006, the Company issued senior notes in an aggregate principal amount of $300.0 with a weighted-average fixed interest rate of 5.50 percent. The Company entered into a derivative transaction to hedge interest rate risk on $200.0 of the senior notes, which was treated as a cash flow hedge. This reduced the effective interest rate from 5.50 percent to 5.36 percent. The Company funded the repayment of $75.0 of the senior notes at maturity in March 2013 using borrowings under its revolving credit facility. The maturity dates of the remaining senior notes are staggered, with $175.0 and $50.0 due in March 2016 and 2018, respectively. For the $175.0 of the Company's senior notes maturing in March 2016, management intends to fund the repayment through the revolving credit facility and/or proceeds from the sale of the Company's electronic security business.

The Company has received the majority and expects to receive the full $350.0 in cash proceeds, subject to customary working capital adjustments, from the divestiture of its electronic security business during the first quarter of 2016. The proceeds from the divestiture, net of deal costs and other related divestiture costs, will be placed in escrow to provide for the repayment of the senior notes due March 2016 and a portion of the financing for the Business Combination. The use of these funds will be restricted to the earlier of November 21, 2016, the cancellation of the tender offer or the payments for certain acquisition related items.

On November 23, 2015, the Company entered into foreign exchange 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 Business Combination and estimated euro denominated deal related costs and any outstanding Wincor Nixdorf borrowings. The weighted average strike price is $1.09 per euro. These foreign exchange option contracts are non-designated and included in other current assets or other current liabilities based on the net asset or net liability position, respectively. As of December 31, 2015, these hedges represented a net asset fair value of $7.0. The arrangement will net settle with an additional maximum payout of approximately $60.0, which relates to a delayed premium due at maturity of the contracts in November 2016. In 2015, the $7.0 gain on these non-designated derivative instruments is reflected in other income (expense) miscellaneous, net.

Off-Balance Sheet Arrangements. The Company enters into various arrangements not recognized in the consolidated balance sheets that have or could have an effect on its financial condition, results of operations, liquidity, capital expenditures or capital resources. The principal off-balance sheet arrangements that the Company enters into are guarantees, operating leases (refer to note 14 to the consolidated financial statements, which is contained in Item 8 of this annual report on Form 10-K) and sales of finance receivables. The Company provides its global operations guarantees and standby letters of credit through various financial institutions to suppliers, customers, regulatory agencies and insurance providers. If the Company is not able to comply with its contractual obligations, the suppliers, regulatory agencies and insurance providers may draw on the pertinent bank (refer to note 15 to the consolidated financial statements, which is contained in Item 8 of this annual report on Form 10-K). The Company has sold finance receivables to financial institutions while continuing to service the receivables. The Company records these sales by removing finance receivables from the consolidated balance sheets and recording gains and losses in the consolidated statement of operations (refer to note 7 to the consolidated financial statements, which is contained in Item 8 of this annual report on Form 10-K).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of the Company's financial condition and results of operations are based upon the Company's consolidated financial statements. The consolidated financial statements of the Company are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of the accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities and reported amounts of revenues and expenses. Such estimates include revenue recognition, the valuation of trade and financing receivables, inventories, goodwill, intangible assets, other long-lived assets, legal contingencies, guarantee obligations, and assumptions used in the calculation of income taxes, pension and post-retirement benefits and customer incentives, among others. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors. Management monitors the economic conditions and other factors and will adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

The Company’s significant accounting policies are described in note 1 to the consolidated financial statements, which is contained in Item 8 of this annual report on Form 10-K. Management believes that, of its significant accounting policies, its policies concerning revenue recognition, allowances for credit losses, inventory reserves, goodwill, long-lived assets, taxes on income, contingencies and pensions and post-retirement benefits are the most critical because they are affected significantly by judgments, assumptions and estimates. Additional information regarding these policies is included below.

Revenue Recognition. The Company’s revenue recognition policy is consistent with the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 605, Revenue Recognition (ASC 605). The Company records revenue when it is realized, or realizable and earned. The application of U.S. GAAP revenue recognition principles to the Company's customer contracts requires judgment, including the determination of whether an arrangement includes multiple deliverables such as hardware, software, maintenance and /or other services. For contracts that contain multiple deliverables, total arrangement consideration is allocated at the inception of the arrangement to each deliverable based on the relative selling price method. The relative selling price method is based on a hierarchy consisting of vendor specific objective evidence (VSOE) (price sold on a stand-alone basis), if available, or third-party evidence (TPE), if VSOE is not available, or estimated selling price (ESP) if neither VSOE nor TPE is available. The Company's ESP is consistent with the objective of determining VSOE, which is the price at which we would expect to transact on a stand-alone sale of the deliverable. The determination of ESP is based on applying significant judgment to weigh a variety of company-specific factors including our pricing practices, customer volume, geography, internal costs and gross margin objectives. This information is gathered from experience in customer negotiations, recent technological trends and the competitive landscape. In contracts that involve multiple deliverables, maintenance services are typically accounted for under FASB ASC 605-20, Separately Priced Extended Warranty and Product Maintenance Contracts. There have been no material changes to these estimates for the periods presented and the Company believes that these estimates generally should not be subject to significant changes in the future, until the adoption of the new revenue standard. However, changes to deliverables in future arrangements could materially impact the amount of earned or deferred revenue.

For sales of software, excluding software required for the equipment to operate as intended, the Company applies the software revenue recognition principles within FASB ASC 985-605, Software - Revenue Recognition. For software and software-related deliverables (software elements), the Company allocates revenue based upon the relative fair value of these deliverables as determined by VSOE. If the Company cannot obtain VSOE for any undelivered software element, revenue is deferred until all deliverables have been delivered or until VSOE can be determined for any remaining undelivered software elements. When the fair value of a delivered element cannot be established, but fair value evidence exists for the undelivered software elements, the Company uses the residual method to recognize revenue. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement consideration is allocated to the delivered elements and recognized as revenue. Determination of amounts deferred for software support requires judgment about whether the deliverables can be divided into more than one unit of accounting and whether the separate deliverables have value to the customer on a stand-alone basis. There have been no material changes to these deliverables for the periods presented. However, changes to deliverables in future arrangements and the ability to establish VSOE could affect the amount and timing of revenue recognition.

Allowances for Credit Losses. The Company maintains allowances for potential credit losses and such losses have been minimal and within management's expectations. Since the Company's receivable balance is concentrated primarily in the financial and government sectors, an economic downturn in these sectors could result in higher than expected credit losses. The concentration of credit risk in the Company's trade receivables with respect to financial and government customers is largely mitigated by the Company's credit evaluation process and the geographical dispersion of sales transactions from a large number of individual customers.

Inventory Reserves. At each reporting period, the Company identifies and writes down its excess and obsolete inventories to net realizable value based on usage forecasts, order volume and inventory aging. With the development of new products, the Company also rationalizes its product offerings and will write-down discontinued product to the lower of cost or net realizable value.

Acquisitions and Divestitures. Acquisitions are accounted for using the purchase method of accounting. This method requires the Company to record assets and liabilities of the business acquired at their estimated fair market values as of the acquisition date. Any excess cost of the acquisition over the fair value of the net assets acquired is recorded as goodwill. The Company generally uses valuation specialists to perform appraisals and assist in the determination of the fair values of the assets acquired and liabilities assumed. These valuations require management to make estimates and assumptions that are critical in determining the fair values of the assets and liabilities.

For divestitures, the Company considers assets to be held for sale when management approves and commits to a formal plan to actively market the assets for sale at a price reasonable in relation to their estimated fair value, the assets are available for immediate sale in their present condition, an active program to locate a buyer and other actions required to complete the sale have been initiated, the sale of the assets is probable and expected to be completed within one year (or, if it is expected that others will impose conditions on the sale of the assets that will extend the period required to complete the sale, that a firm purchase commitment is probable within one year) and it is unlikely that significant changes will be made to the plan. Upon designation as held for sale, the Company records the assets at the lower of their carrying value or their estimated fair value, reduced for the cost to dispose of the assets, and ceases to record depreciation expense on the assets.

The Company reports financial results for discontinued operations separately from continuing operations to distinguish the financial impact of the divestiture from ongoing operations. Discontinued operations reporting occurs only when the disposal of a component or a group of components of the Company represents a strategic shift that will have a major effect on the Company's operations and financial results. During the year ended December 31, 2015, management of the Company, through receipt in October 2015 of the required authorization from its Board of Directors after a potential buyer had been identified, committed to a plan to divest the electronic security business. As such, all of the criteria required for held for sale and discontinued operations classification were met during the fourth quarter of 2015. The pending divestiture of its electronic security business closed on February 1, 2016. Accordingly, the assets and liabilities, operating results and operating and investing cash flows for are presented as discontinued operations separate from the Company’s continuing operations for all periods presented. Prior period information has been reclassified to present this business as discontinued operations for all periods presented, and has therefore been excluded from both continuing operations and segment results for all periods presented in these consolidated financial statements and the notes to the consolidated financial statements. All assets and liabilities classified as held for sale are included in total current assets based on the cash conversion of these assets and liabilities within one year. These items had no impact on the amounts of previously reported net income attributable to Diebold, Incorporated or total Diebold, Incorporated shareholders' equity (refer to note 21 to the consolidated financial statements, which is contained in Item 8 of this annual report on Form 10-K).

Assets and liabilities of a discontinued operation are reclassified as held for sale for all comparative periods presented in the consolidated balance sheet. The results of operations of a discontinued operation are reclassified to income from discontinued operations, net of tax, for all periods presented. For assets that meet the held for sale criteria but do not meet the definition of a discontinued operation, the Company reclassifies the assets and liabilities in the period in which the held for sale criteria are met, but does not reclassify prior period amounts.

Goodwill. Goodwill is the cost in excess of the net assets of acquired businesses (refer to note 11 to the consolidated financial statements, which is contained in Item 8 of this annual report on Form 10-K). The Company tests all existing goodwill at least annually for impairment on a reporting unit basis. In 2015, the annual goodwill impairment test was performed as of October 31 compared to November 30 in prior years for administrative improvements.

The Company tests all existing goodwill at least annually as of October 31 for impairment on a reporting unit basis. The Company tests for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the carrying value of a reporting unit below its reported amount. The Company’s four reporting units are defined as Domestic and Canada, LA, AP and EMEA. Each year, the Company may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. In evaluating whether it is more likely than not the fair value of a reporting unit is less than its carrying amount, the Company considers the following events and circumstances, among others, if applicable: (a) macroeconomic conditions such as general economic conditions, limitations on accessing capital or other developments in equity and credit markets; (b) industry and market considerations such as competition, multiples or metrics and changes in the market for the Company's products and services or regulatory and political environments; (c) cost factors such as raw materials, labor or other costs; (d) overall financial performance such as cash flows, actual and planned revenue and earnings compared with actual and projected results of relevant prior periods; (e) other relevant events such as changes in key personnel, strategy or customers; (f) changes in the composition of a reporting unit's assets or expected sales of all or a portion of a reporting unit; and (g) any sustained decrease in share price.

If the Company's qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying value, or if management elects to perform a quantitative assessment of goodwill, a two-step impairment test is used to identify potential goodwill impairment and measure the amount of any impairment loss to be recognized. In the first step, the Company compares the fair value of each reporting unit with its carrying value. The fair value of the reporting units is determined based upon a combination of the income valuation and market approach in valuation methodology. The income approach uses discounted estimated future cash flows, whereas the market approach or guideline public company method utilizes market data of similar publicly traded companies. The Company’s step 1 impairment test of goodwill of a reporting unit is based upon the fair value of the reporting unit, defined as the price that would be received to sell the net assets or transfer the net liabilities in an orderly transaction between market participants at the assessment date. In the event that the net carrying amount exceeds the fair value, a step 2 test must be performed whereby the fair value of the reporting unit’s goodwill must be estimated to determine if it is less than its net carrying amount. In its two-step test, the Company uses the discounted cash flow method and the guideline company method for determining the fair value of its reporting units. Under these methods, the determination of implied fair value of the goodwill for a particular reporting unit is the excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities in the same manner as the allocation in a business combination.

The techniques used in the Company's qualitative assessment and, if necessary, two-step impairment test incorporate a number of assumptions that the Company believes to be reasonable and to reflect market conditions forecast at the assessment date. Assumptions in estimating future cash flows are subject to a high degree of judgment. The Company makes all efforts to forecast future cash flows as accurately as possible with the information available at the time the forecast is made. To this end, the Company evaluates the appropriateness of its assumptions as well as its overall forecasts by comparing projected results of upcoming years with actual results of preceding years and validating that differences therein are reasonable. Key assumptions, all of which are Level 3 inputs (refer to note 19 to the consolidated financial statements, which is contained in Item 8 of this annual report on Form 10-K), relate to price trends, material costs, discount rate, customer demand, and the long-term growth and foreign exchange rates. A number of benchmarks from independent industry and other economic publications were also used. Changes in assumptions and estimates after the assessment date may lead to an outcome where impairment charges would be required in future periods. Specifically, actual results may vary from the Company’s forecasts and such variations may be material and unfavorable, thereby triggering the need for future impairment tests where the conclusions may differ in reflection of prevailing market conditions.

During 2015, management determined that the LA and AP reporting units had excess fair value of approximately $7.2 or 1.3 percent and approximately $149.4 or 56.5 percent, respectively, when compared to their carrying amounts. The Domestic and Canada reporting unit, included in the NA reportable segment, had excess fair value greater than 100 percent when compared to its carrying amount. As of December 31, 2015, the LA and AP reporting units had goodwill of approximately $24.4 and $37.6, respectively. A further change in macroeconomic conditions, as well as future changes in the judgments, assumptions and estimates that are used in the Company's goodwill impairment testing for the LA and AP reporting units, including the discount rate and future cash flow projections, could result in a significantly different estimate of the fair value. EMEA had no net goodwill as of December 31, 2015.

During the third quarter of 2013, the Company performed an other-than-annual assessment for its LA reporting unit based on a two-step impairment test as a result of a reduced earnings outlook for the LA business unit. This was due to a deteriorating macro-economic outlook, structural changes to an auction-based purchasing environment and new competitors entering the market. The Company concluded that the goodwill within the LA reporting unit was partially impaired and recorded a $70.0 pre-tax, non-cash goodwill impairment charge. In the fourth quarter of 2013, the LA reporting unit was reviewed for impairment based on a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. In addition, the remaining reporting units were reviewed based on a two-step test. These tests resulted in no additional impairment in any of the Company's reporting units in 2013.

Long-Lived Assets. Impairment of long-lived assets is recognized when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the expected future undiscounted cash flows are less than the carrying amount of the asset, an impairment loss is recognized at that time to reduce the asset to the lower of its fair value or its net book value. The Company tests all existing indefinite-lived intangibles at least annually for impairment as of October 31. As of December 31, 2015, the Company had approximately $4.5 of indefinite-lived tangibles included in other intangibles.

Taxes on Income. Deferred taxes are provided on an asset and liability method, whereby deferred tax assets are recognized for deductible temporary differences, operating loss carry-forwards and tax credits. Deferred tax liabilities are recognized for taxable temporary differences and undistributed earnings in certain jurisdictions. Deferred tax assets are reduced by a valuation allowance when, based upon the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Determination of a valuation allowance involves estimates regarding the timing and amount of the reversal of taxable temporary differences, expected future taxable income and the impact of tax planning strategies. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company operates in numerous taxing jurisdictions and is subject to examination by various federal, state and foreign jurisdictions for various tax periods. Additionally, the Company has retained tax liabilities and the rights to tax refunds in connection with various acquisitions and divestitures of businesses. The Company’s income tax positions are based on research and interpretations of the income tax laws and rulings in each of the jurisdictions in which the Company does business. Due to the subjectivity of interpretations of laws and rulings in each jurisdiction, the differences and interplay in tax laws between those jurisdictions, as well as the inherent uncertainty in estimating the final resolution of complex tax audit matters, the Company’s estimates of income tax liabilities may differ from actual payments or assessments.

The Company assesses its position with regard to tax exposures and records liabilities for these uncertain tax positions and any related interest and penalties, when the tax benefit is not more likely than not realizable. The Company has recorded an accrual that reflects the recognition and measurement process for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. Additional future income tax expense or benefit may be recognized once the positions are effectively settled.

At the end of each interim reporting period, the Company estimates the effective tax rate expected to apply to the full fiscal year. The estimated effective tax rate contemplates the expected jurisdiction where income is earned, as well as tax planning alternatives. Current and projected growth in income in higher tax jurisdictions may result in an increasing effective tax rate over time. If the actual results differ from estimates, the Company may adjust the effective tax rate in the interim period if such determination is made.

Contingencies. Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. There is no liability recorded for matters in which the liability is not probable and reasonably estimable. Attorneys in the Company's legal department monitor and manage all claims filed against the Company and review all pending investigations. Generally, the estimate of probable loss related to these matters is developed in consultation with internal and outside legal counsel representing the Company. These estimates are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. The Company attempts to resolve these matters through settlements, mediation and arbitration proceedings when possible. If the actual settlement costs, final judgments, or fines, after appeals, differ from the estimates, the future results may be materially impacted. Adjustments to the initial estimates are recorded when a change in the estimate is identified.

Pensions and Other Post-retirement Benefits. Annual net periodic expense and benefit liabilities under the Company’s defined benefit plans are determined on an actuarial basis. Assumptions used in the actuarial calculations have a significant impact on plan obligations and expense. Members of the management investment committee periodically review the actual experience compared with the more significant assumptions used and make adjustments to the assumptions, if warranted. The discount rate is determined by analyzing the average return of high-quality (i.e., AA-rated) fixed-income investments and the year-over-year comparison of certain widely used benchmark indices as of the measurement date. The expected long-term rate of return on plan assets is determined using the plans’ current asset allocation and their expected rates of return based on a geometric averaging over 20 years. The rate of compensation increase assumptions reflects the Company’s long-term actual experience and future and near-term outlook. Pension benefits are funded through deposits with trustees. Other post-retirement benefits are not funded and the Company’s policy is to pay these benefits as they become due.

(dollars in millions, except per share amounts)

The following table represents assumed healthcare cost trend rates at December 31:

	2015		2014	
Healthcare cost trend rate assumed for next year	7.0	%	7.5	%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0	%	5.0	%
Year that rate reaches ultimate trend rate	2020		2020	

The healthcare trend rates are reviewed based upon the results of actual claims experience. The Company used healthcare cost trends of 7.0 percent and 7.5 percent in 2016 and 2015, respectively, decreasing to an ultimate trend of 5.0 percent in 2020 for both medical and prescription drug benefits using the Society of Actuaries Long Term Trend Model with assumptions based on the 2008 Medicare Trustees’ projections. Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease	
Effect on total of service and interest cost	$—	$—	
Effect on other post-retirement benefit obligation	$0.9	$(0.8	)

During 2014, the Society of Actuaries released a series of updated mortality tables resulting from recent studies conducted by them measuring mortality rates for various groups of individuals. As of December 31, 2014, the Company updated theses mortality tables which reflect improved trends in longevity and therefore have the effect of increasing the estimate of benefits to be received by plan participants. Management will continue to monitor assumptions used for our actuarial projections along with any funding requirements for the plans.

RECENTLY ISSUED ACCOUNTING GUIDANCE

Refer to note 1 to the consolidated financial statements, which is contained in Item 8 of this annual report on Form 10-K, for information on recently issued accounting guidance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS as of December 31, 2015
DIEBOLD, INCORPORATED AND SUBSIDIARIES
(unaudited)
(dollars in millions, except per share amounts)

FORWARD-LOOKING STATEMENT DISCLOSURE

In this annual report on Form 10-K, statements that are not reported financial results or other historical information are "forward-looking statements." Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. These forward-looking statements include, but are not limited to, statements regarding the Business Combination, its financing of the Business Combination, its expected future performance (including expected results of operations and financial guidance), and the Company's future financial condition, operating results, strategy and plans. Forward-looking statements may be identified by the use of the words "anticipates," "expects," "intends," "plans," "will," "believes," "estimates," "potential," "target," "predict," "project," "seek," a similar expressions. These statements are used to identify forward-looking statements. These forward-looking statements reflect the current views of the Company with respect to future events and involve significant risks and uncertainties that could cause actual results to differ materially.

Although the Company believes that these forward-looking statements are based upon reasonable assumptions regarding, among other things, the economy, its knowledge of its business, and on key performance indicators that impact the Company, these forward-looking statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those expressed in or implied by the forward-looking statements. The Company is not obligated to update forward-looking statements, whether as a result of new information, future events or otherwise.

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

- the Company's ability to successfully consummate the Business Combination, including obtaining and consummating the necessary financing, hedging transactions and satisfying closing conditions;
- the ultimate outcome and results of integrating the operations of the Company and Wincor Nixdorf, the ultimate outcome of the Company's pricing and operating strategy applied to Wincor Nixdorf and the ultimate ability to realize synergies;
- the effects of the Business Combination, including the Company's future financial condition, operating results, strategy and plans;
- the effects of governmental regulation on the Company's businesses or potential business combination transactions;
- the ability to obtain regulatory approvals and meet other conditions to the Business Combination on a timely basis;
- the success of the Company's strategic business alliance with Securitas AB;
- the Company's ability to extract costs related to its electronic security business from its ongoing operations;
- competitive pressures, including pricing pressures and technological developments;
- changes in the Company's relationships with customers, suppliers, distributors and/or partners in its business ventures;
- changes in political, economic or other factors such as currency exchange rates, inflation rates, recessionary or expansive trends, taxes and regulations and laws affecting the worldwide business in the Company's operations;
- global economic conditions, including any additional deterioration and disruptions in the financial markets, including bankruptcies, restructurings or consolidations of financial institutions, which could reduce the Company's customer base and/or adversely affect its customers' ability to make capital expenditures, as well as adversely impact the availability and cost of credit;
- acceptance of the Company's product and technology introductions in the marketplace;
- the Company's ability to maintain effective internal controls;

- changes in the Company’s intention to further repatriate cash and cash equivalents and short-term investments residing in international tax jurisdictions could negatively impact foreign and domestic taxes;
- unanticipated litigation, claims or assessments, as well as the outcome/impact of any current/pending litigation, claims or assessments, including, but not limited to, the Company’s Brazil tax dispute;
- variations in consumer demand for FSS technologies, products and services;
- potential security violations to the Company’s information technology systems;
- the investment performance of the Company’s pension plan assets, which could require the Company and to increase its pension contributions, and significant changes in healthcare costs, including those that may result from government action;
- the amount and timing of repurchases of common shares, if any;
- the Company's ability to achieve benefits from its cost-reduction initiatives and other strategic changes, including its multi-year realignment plan and other restructuring actions, as well as its business process outsourcing initiative; and
- the risk factors described above under "Part I - Item 1A - Risk Factors” of this Form 10-K.

Except to the extent required by applicable law or regulation, the Company undertakes no obligation to update these forward-looking statements to reflect future events or circumstances or to reflect the occurrence of unanticipated events.

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ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
(dollars in millions, except per share amounts)

The Company's Venezuelan operations consisted of a fifty-percent owned subsidiary, which was consolidated. Venezuela financial results were measured using the U.S. dollar as its functional currency because its economy is considered highly inflationary. On March 24, 2014, the Venezuelan government announced a currency exchange mechanism, SICAD 2, which yielded an exchange rate significantly higher than the rates established through the other regulated exchange mechanisms. Management determined that it was unlikely that the Company would be able to convert bolivars under a currency exchange other than SICAD 2. On March 31, 2014, the Company remeasured its Venezuelan balance sheet using the SICAD 2 rate of 50.86 compared to the previous official government rate of 6.30, resulting in a decrease of $6.1 to the Company’s cash balance and net losses of $12.1 that were recorded within foreign exchange (loss) gain, net in the consolidated statements of operations in the first quarter of 2014. In addition, as a result of the currency devaluation, the Company recorded a $4.1 lower of cost or market adjustment related to its service inventory within service cost of sales in the consolidated statements of operations in the first quarter of 2014. The Company's Venezuelan operations represented less than one percent of the Company's total assets as of December 31, 2014. On February 10, 2015, the Venezuela government introduced a new foreign currency exchange platform called the Marginal Currency System, or SIMADI, which replaced the SICAD 2 mechanism, yielding another significant increase in the exchange rate. As of March 31, 2015, management determined it was unlikely that the Company would be able to convert bolivars under a currency exchange other than SIMADI and remeasured its Venezuela balance sheet using the SIMADI rate of 192.95 compared to the previous SICAD 2 rate of 50.86, which resulted in a loss of $7.5 recorded within foreign exchange gain (loss), net in the condensed consolidated statements of operations in the first quarter of 2015.

As of March 31, 2015, the Company agreed to sell its equity interest in its Venezuela joint venture to its joint venture partner and recorded a $10.3 impairment of assets in the first quarter of 2015. On April 29, 2015, the Company closed the sale for the estimated fair market value and recorded a $1.0 reversal of impairment of assets based on final adjustments in the second quarter of 2015, resulting in a $9.3 impairment of assets for the six months ended June 30, 2015. During the remainder of 2015, the Company incurred an additional $0.4 related to uncollectible accounts receivable which is included in selling and administrative expenses on the consolidated statements of operations. The Company no longer has a consolidating entity in Venezuela but will continue to operate in Venezuela on an indirect basis.

The Company is exposed to foreign currency exchange rate risk inherent in its international operations denominated in currencies other than the U.S. dollar. A hypothetical 10 percent movement in the applicable foreign exchange rates would have resulted in an increase or decrease in 2015 and 2014 year-to-date operating profit of approximately $5.0 and $10.1, respectively. The sensitivity model assumes an instantaneous, parallel shift in the foreign currency exchange rates. Exchange rates rarely move in the same direction. The assumption that exchange rates change in an instantaneous or parallel fashion may overstate the impact of changing exchange rates on amounts denominated in a foreign currency.

The Company’s risk-management strategy uses derivative financial instruments such as forwards to hedge certain foreign currency exposures. The intent is to offset gains and losses that occur on the underlying exposures, with gains and losses on the derivative contracts hedging these exposures. The Company does not enter into derivatives for trading purposes. The Company’s primary exposures to foreign exchange risk are movements in the euro/U.S. dollar, U.S. dollar/Brazil real/U.S. dollar and Chinese yuan renminbi/U.S. dollar. There were no significant changes in the Company’s foreign exchange risks in 2015 compared with 2014.

On November 23, 2015, the Company entered into foreign exchange 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

Business Combination and provide cash for working capital. The cash component of the purchase price consideration approximates €1,162.2. The weighted average strike price is $1.09 per euro. These foreign exchange option contracts are non-designated and included in other current assets or other current liabilities based on the net asset or net liability position, respectively. Changes in foreign exchange rates between the U.S dollar and euro can create substantial gains and losses from the revaluation of the derivative instrument.

The Company manages interest rate risk with the use of variable rate borrowings under its committed and uncommitted credit facilities and interest rate swaps. Variable rate borrowings under the credit facilities totaled $420.9 and $280.4 of which $25.0 and $50.0 were effectively converted to fixed rate using interest rate swaps at December 31, 2015 and 2014, respectively. A one percentage point increase or decrease in interest rates would have resulted in an increase or decrease in interest expense of approximately $4.0 and $2.3 for 2015 and 2014, respectively, including the impact of the swap agreements. The Company’s primary exposure to interest rate risk is movements in the LIBOR, which is consistent with prior periods.

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ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm
The Board of Directors and Shareholders
Diebold, Incorporated:

We have audited the accompanying consolidated balance sheets of Diebold, Incorporated and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, equity, and cash flows for each of the years in the three year period ended December 31, 2015. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule, Schedule II “Valuation and Qualifying Accounts.” These consolidated financial statements and the financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Diebold, Incorporated and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Diebold, Incorporated’s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 29, 2016, expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ KPMG LLP

Cleveland, Ohio
February 29, 2016

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Report of Independent Registered Public Accounting Firm
The Board of Directors and Shareholders
Diebold, Incorporated:

We have audited Diebold, Incorporated’s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Diebold, Incorporated’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting appearing under Item 9A(b) of the Diebold, Incorporated’s December 31, 2015 annual report on Form 10-K. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Diebold, Incorporated maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Diebold, Incorporated and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, equity, and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated February 29, 2016, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Cleveland, Ohio
February 29, 2016

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DIEBOLD, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in millions)

	December 31,	
	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	$313.6	$326.1
Short-term investments	39.9	136.7
Trade receivables, less allowances for doubtful accounts of $31.7 and $20.9, respectively	413.9	403.3
Inventories	369.3	374.7
Deferred income taxes	168.8	111.0
Prepaid expenses	23.6	21.2
Refundable income taxes	18.0	11.7
Current assets held for sale	148.2	106.2
Other current assets	148.3	164.6
Total current assets	1,643.6	1,655.5
Securities and other investments	85.2	83.6
Property, plant and equipment, net	175.3	165.7
Goodwill	161.5	138.1
Deferred income taxes	65.3	86.5
Finance lease receivables	36.5	90.4
Other assets	81.9	122.3
Total assets	$2,249.3	$2,342.1
LIABILITIES AND EQUITY		
Current liabilities		
Notes payable	$32.0	$25.6
Accounts payable	281.7	248.6
Deferred revenue	229.2	260.8
Payroll and other benefits liabilities	76.5	109.4
Current liabilities held for sale	49.4	39.1
Other current liabilities	287.0	344.3
Total current liabilities	955.8	1,027.8
Long-term debt	613.1	479.8
Pensions and other benefits	195.6	211.0
Post-retirement and other benefits	18.7	20.8
Deferred income taxes	1.9	6.5
Other liabilities	28.7	41.4
Commitments and contingencies		
Equity		
Diebold, 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, 79,696,694 and 79,238,759 issued shares, 65,001,602 and 64,632,400 outstanding shares, respectively	99.6	99.0
Additional capital	430.8	418.0
Retained earnings	760.3	762.2

Treasury shares, at cost (14,695,092 and 14,606,359 shares, respectively)	(560.2)	(557.2)
Accumulated other comprehensive loss	(318.1)	(190.5)
Total Diebold, Incorporated shareholders' equity	412.4	531.5
Noncontrolling interests	23.1	23.3
Total equity	435.5	554.8
Total liabilities and equity	$2,249.3	$2,342.1

See accompanying notes to consolidated financial statements.

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DIEBOLD, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)

	Year ended December 31,		
	2015	2014	2013