DIEBOLD NIXDORF, Inc
Form 10-Q
July 26, 2017

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

Form 10-Q

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

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

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

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

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

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

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

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

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

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

Number of shares of common stock outstanding as of July 21, 2017 was 75,510,876.

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

| | June 30, 2017 (Unaudited) | December 31, 2016 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | $ 451.3 | $ 652.7 |
| Short-term investments | 76.9 | 64.1 |
| Trade receivables, less allowances for doubtful accounts of $61.1 and $50.4, respectively | 930.7 | 835.9 |
| Inventories | 779.3 | 737.7 |
| Prepaid expenses | 64.1 | 60.7 |
| Income taxes | 131.3 | 85.2 |
| Other current assets | 208.0 | 183.3 |
| Total current assets | 2,641.6 | 2,619.6 |
| Securities and other investments | 93.7 | 94.7 |
| Property, plant and equipment, net of accumulated depreciation and amortization of $428.2 and $477.0, respectively | 391.9 | 387.0 |
| Goodwill | 1,082.4 | 998.3 |
| Deferred income taxes | 359.9 | 309.5 |
| Finance lease receivables | 18.4 | 25.2 |
| Customer relationships, net | 617.6 | 596.3 |
| Other intangible assets, net | 160.5 | 176.6 |
| Other assets | 89.5 | 63.1 |
| Total assets | $ 5,455.5 | $ 5,270.3 |
| LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY | | |
| Current liabilities | | |
| Notes payable | $ 112.5 | $ 106.9 |
| Accounts payable | 602.4 | 560.5 |
| Deferred revenue | 426.1 | 404.2 |
| Payroll and other benefits liabilities | 176.4 | 172.5 |
| Other current liabilities | 565.0 | 580.4 |
| Total current liabilities | 1,882.4 | 1,824.5 |
| Long-term debt | 1,787.5 | 1,691.4 |
| Pensions, post-retirement and other benefits | 296.9 | 297.2 |
| Deferred income taxes | 281.0 | 300.6 |
| Other liabilities | 134.0 | 87.7 |
| Commitments and contingencies | | |
| Redeemable noncontrolling interests | 449.0 | 44.1 |
| Equity | | |
| Diebold Nixdorf, Incorporated shareholders' equity | | |
| Preferred shares, no par value, 1,000,000 authorized shares, none issued | — | — |
| Common shares, $1.25 par value, 125,000,000 authorized shares, 90,448,283 and 89,924,378 issued shares, 75,504,941 and 75,144,784 outstanding shares, respectively | 113.1 | 112.4 |
| Additional capital | 695.3 | 720.0 |
| Retained earnings | 558.0 | 662.7 |

| | | |
|---|---|---|
| Treasury shares, at cost (14,943,342 and 14,779,597 shares, respectively) | (566.9 ) | (562.4 ) |
| Accumulated other comprehensive loss | (212.3 ) | (341.3 ) |
| Total Diebold Nixdorf, Incorporated shareholders' equity | 587.2 | 591.4 |
| Noncontrolling interests | 37.5 | 433.4 |
| Total equity | 624.7 | 1,024.8 |
| Total liabilities, redeemable noncontrolling interests and equity | $ 5,455.5 | $ 5,270.3 |

See accompanying notes to condensed consolidated financial statements.

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, | | June 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| Net sales | | | | |
| Services and software | $687.9 | $360.2 | $1,371.5 | $699.5 |
| Systems | 446.0 | 219.8 | 865.2 | 390.1 |
| | 1,133.9 | 580.0 | 2,236.7 | 1,089.6 |
| Cost of sales | | | | |
| Services and software | 536.4 | 236.8 | 1,041.9 | 467.7 |
| Systems | 359.7 | 188.1 | 714.5 | 328.0 |
| | 896.1 | 424.9 | 1,756.4 | 795.7 |
| Gross profit | 237.8 | 155.1 | 480.3 | 293.9 |
| Selling and administrative expense | 236.8 | 127.3 | 483.8 | 252.9 |
| Research, development and engineering expense | 38.8 | 17.6 | 80.2 | 36.1 |
| Impairment of assets | — | — | 3.1 | — |
| (Gain) loss on sale of assets, net | (7.7) | (0.1) | (8.1) | 0.3 |
| | 267.9 | 144.8 | 559.0 | 289.3 |
| Operating profit (loss) | (30.1) | 10.3 | (78.7) | 4.6 |
| Other income (expense) | | | | |
| Interest income | 5.1 | 6.3 | 11.5 | 11.2 |
| Interest expense | (32.2) | (24.3) | (63.0) | (35.8) |
| Foreign exchange gain (loss), net | (4.6) | (1.2) | (7.7) | (3.6) |
| Miscellaneous, net | 1.9 | (26.8) | 3.2 | 7.8 |
| Income (loss) from continuing operations before taxes | (59.9) | (35.7) | (134.7) | (15.8) |
| Income tax (benefit) expense | (36.3) | (14.9) | (58.9) | (15.7) |
| Income (loss) from continuing operations, net of tax | (23.6) | (20.8) | (75.8) | (0.1) |
| Income from discontinued operations, net of tax | — | 0.5 | — | 148.3 |
| Net income (loss) | (23.6) | (20.3) | (75.8) | 148.2 |
| Net income attributable to noncontrolling interests | 7.0 | 0.8 | 13.6 | 1.1 |
| Net income (loss) attributable to Diebold Nixdorf, Incorporated | $(30.6) | $(21.1) | $(89.4) | $147.1 |
| | | | | |
| Basic weighted-average shares outstanding | 75.5 | 65.2 | 75.4 | 65.1 |
| Diluted weighted-average shares outstanding | 75.5 | 65.2 | 75.4 | 65.7 |
| | | | | |
| Basic earnings (loss) per share | | | | |
| Income (loss) from continuing operations, net of tax | $(0.41) | $(0.33) | $(1.19) | $(0.02) |
| Income from discontinued operations, net of tax | — | 0.01 | — | 2.28 |
| Net income (loss) attributable to Diebold Nixdorf, Incorporated | $(0.41) | $(0.32) | $(1.19) | $2.26 |
| | | | | |
| Diluted earnings (loss) per share | | | | |
| Income (loss) from continuing operations, net of tax | $(0.41) | $(0.33) | $(1.19) | $(0.02) |
| Income from discontinued operations, net of tax | — | 0.01 | — | 2.26 |
| Net income (loss) attributable to Diebold Nixdorf, Incorporated | $(0.41) | $(0.32) | $(1.19) | $2.24 |

| | | | | |
|---|---|---|---|---|
| Amounts attributable to Diebold Nixdorf, Incorporated | | | | |
| Income (loss) before discontinued operations, net of tax | $(30.6 ) | $(21.6 ) | $(89.4 ) | $(1.2 ) |
| Income from discontinued operations, net of tax | — | 0.5 | — | 148.3 |
| Net income (loss) attributable to Diebold Nixdorf, Incorporated | $(30.6 ) | $(21.1 ) | $(89.4 ) | $147.1 |
| | | | | |
| Common dividends declared and paid per share | $0.1000 | $0.2875 | $0.2000 | $0.5750 |

See accompanying notes to condensed consolidated financial statements.

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

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

See accompanying notes to condensed consolidated financial statements.

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

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

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

See accompanying notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements
(unaudited)
(in millions, except per share amounts)

Note 1: Consolidated Financial Statements

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

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

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

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

Recently Issued Accounting Guidance

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

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

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

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

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

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

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

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

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

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

(in millions, except per share amounts)

Note 2: Acquisitions

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

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

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

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

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

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

(in millions, except per share amounts)

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

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

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

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

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

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

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

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

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

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

The Acquisition's loss from continuing operations before taxes subsequent to the acquisition date includes purchase accounting pretax charges for the three and six months ended June 30, 2017 related to deferred revenue of $10.3 and $20.7 and amortization of acquired intangibles of $33.4 and $65.2, offset by a reduction of $1.6 and $3.2 depreciation expense related to the change in useful lives, respectively. The measurement period adjustment include an inventory valuation adjustment of $0.9 for the three and six months ended June 30. 2017.

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

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

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

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

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

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

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

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

Note 3: Redeemable Noncontrolling Interests

Changes in redeemable noncontrolling interests were as follows:

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

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

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

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

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

## Note 4: Earnings (Loss) Per Share

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

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

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

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

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Note 5: Equity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Note 7: Share-Based Compensation

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

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

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

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

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

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

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

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

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

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

Note 8: Income Taxes

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

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

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

Note 9: Investments

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

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

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

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

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

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Note 10: Allowance for Credit Losses

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

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

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

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

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

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

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

| | | |
|---|---|---|
| > 89 days past due [1] | 4.0 | 3.9 |
| Total past due | $ 4.1 | $ 4.0 |

[1] Past due notes receivable balances greater than 89 days are fully reserved.

Note 11: Inventories

Major classes of inventories are summarized as follows:

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

(in millions, except per share amounts)

Note 12: Goodwill and Other Assets

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

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

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

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

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

| Services | Software | Systems |
|---|---|---|
| EMEA | EMEA | EMEA |
| Americas | Americas | Americas |
| AP | AP | AP |

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

(in millions, except per share amounts)

The following summarizes information on intangible assets by major category:

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

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

Note 13: Debt

Outstanding debt balances were as follows:

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

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

(in millions, except per share amounts)

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

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

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

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

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

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

(in millions, except per share amounts)

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

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

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

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

Below is a summary of financing and replacement facilities information:

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

(i) LIBOR with a floor of 0.0%.
(ii) EURIBOR with a floor of 0.0%.

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

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

Note 14: Benefit Plans

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

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

- In Germany, post-employment benefit plans are set up as employer funded pension plans and deferred compensation plans. The employer funded pension commitments in Germany are based upon direct performance-related commitments in terms of defined contribution plans. Each beneficiary receives, depending on individual pay-scale grouping, contractual classification, or income level, different yearly contributions. The contribution is multiplied by an age factor appropriate to the respective pension plan and credited to the individual retirement account of the employee. The retirement accounts may be used up at retirement by either a one-time lump-sum payout or payments of up to ten years. Insured events include disability, death and reaching of retirement age.

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

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

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

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

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

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

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

(in millions, except per share amounts)

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

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

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

Contributions

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

Note 15: Guarantees and Product Warranties

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

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

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

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

| | | |
|---|---|---|
| Balance at June 30 | $84.7 | $67.1 |

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Note 16: Commitments and Contingencies

Contractual Obligations

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

Indirect Tax Contingencies

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

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

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

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

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

The Company has challenged customs rulings in Thailand seeking to retroactively collect customs duties on previous imports of ATMs. Management believes that the customs authority’s attempt to retroactively assess customs duties is in contravention of World Trade Organization agreements and, accordingly, is challenging the rulings. In the third quarter of 2015, the Company received a prospective ruling from the United States Customs Border Protection which is consistent with the Company's interpretation of the treaty in question. The Company has submitted that ruling for consideration in its ongoing dispute with Thailand. In August 2016 and February 2017, the tax court of appeals rendered two decisions in favor of the Company related to more than half of the assessments at issue. The remaining matters are currently in various stages of the appeals process and management continues to believe that the Company has a valid legal position in these appeals. Accordingly, the Company has not accrued any amount for this contingency; however, the Company cannot provide any assurance that it will not ultimately be subject to retroactive assessments.

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

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

(in millions, except per share amounts)

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

Legal Contingencies

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

Note 17: Derivative Instruments and Hedging Activities

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

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

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

Foreign Exchange

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

(in millions, except per share amounts)

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

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

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

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

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

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

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

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

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

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

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

Interest Rate

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

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

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

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

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

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

(in millions, except per share amounts)

Note 18: Fair Value of Assets and Liabilities

Assets and Liabilities Recorded at Fair Value

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

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

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

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

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

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

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

Note 19: Restructuring

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

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

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

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

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

Multi-Year Transformation Plan

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

DN2020 Plan

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

Delta Program

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

(in millions, except per share amounts)

Strategic Alliance Plan

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

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

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

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

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

Note 20: Segment Information

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

Segment revenue represents revenues from sales to external customers. Segment operating profit is defined as revenues less expenses identifiable to those segments. The Company does not allocate to its segments certain operating expenses, which it manages at the corporate level; that are not routinely used in the management of the segments; or information that is impractical to report. These unallocated costs include certain corporate costs, amortization of acquired intangible assets and deferred revenue, restructuring charges, impairment charges, legal, indemnification, and professional fees related to corporate monitor efforts, acquisition and divestiture expenses, along with other income (expenses). Segment operating profit reconciles to consolidated income (loss) from continuing operations before income taxes by deducting corporate costs and other income or expense items that are not attributed to the segments. Assets are not allocated to segments, and thus are not included in the assessment of segment performance, and consequently, we do not disclose total assets and depreciation and amortization expense by reportable operating segment.

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

Services

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

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

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

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

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Revenue summary by segment | | | | |
| Services | $580.2 | $329.6 | $1,153.4 | |