

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

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2018

OR

☐ **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
(State or other jurisdiction of
incorporation or organization)

34-0183970
(IRS Employer
Identification Number)

5995 Mayfair Road, PO Box 3077, North Canton, Ohio
(Address of principal executive offices)

44720-8077
(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 ☒ No ☐

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 ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
				(Do not check if a smaller reporting company)	
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>		

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. ☐

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

Number of shares of common stock outstanding as of October 31, 2018 was 76,124,266.

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
Form 10-Q

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Part I – Financial Information
Item 1: Financial Statements

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in millions, except share and per share amounts)

	September 30, 2018	December 31, 2017
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 304.4	\$ 535.2
Restricted cash	139.3	8.0
Short-term investments	5.0	81.4
Trade receivables, less allowances for doubtful accounts of \$55.3 and \$71.7, respectively	818.1	830.1
Inventories	846.5	728.9
Prepaid expenses	60.4	65.7
Income taxes	66.5	73.4
Other current assets	201.4	177.6
Total current assets	2,441.6	2,500.3
Securities and other investments	24.1	96.8
Property, plant and equipment, net of accumulated depreciation and amortization of \$441.0 and \$418.8, respectively	320.8	364.5
Goodwill	883.3	1,117.1
Deferred income taxes	256.2	293.8
Customer relationships, net	559.7	633.3
Other intangible assets, net	111.9	140.5
Other assets	100.2	95.8
Total assets	\$ 4,697.8	\$ 5,242.1
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Current liabilities		
Notes payable	\$ 52.7	\$ 66.7
Accounts payable	554.7	562.2
Deferred revenue	365.3	437.5
Payroll and other benefits liabilities	173.8	198.9
Other current liabilities	433.1	531.4
Total current liabilities	1,579.6	1,796.7
Long-term debt	2,337.0	1,787.1
Pensions, post-retirement and other benefits	260.7	266.4
Deferred income taxes	240.7	287.1
Other liabilities	102.9	111.3
Commitments and contingencies		
Redeemable noncontrolling interests	154.2	492.1
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, 91,267,246 and 90,524,360 issued shares, 76,115,029 and 75,558,544 outstanding shares, respectively	114.1	113.2
Additional capital	743.6	721.5
Retained earnings (accumulated deficit)	(3.2)	393.6
Treasury shares, at cost (15,152,217 and 14,965,816 shares, respectively)	(570.4)	(567.4)
Accumulated other comprehensive loss	(291.5)	(196.3)
Total Diebold Nixdorf, Incorporated shareholders' equity	(7.4)	464.6
Noncontrolling interests	30.1	36.8
Total equity	22.7	501.4
Total liabilities, redeemable noncontrolling interests and equity	\$ 4,697.8	\$ 5,242.1

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net sales				
Services	\$ 583.9	\$ 605.8	\$ 1,769.6	\$ 1,759.3
Products	414.6	397.0	1,156.4	1,262.2
Software	120.5	119.9	362.8	337.9
	<u>1,119.0</u>	<u>1,122.7</u>	<u>3,288.8</u>	<u>3,359.4</u>
Cost of sales				
Services	451.6	470.7	1,377.5	1,362.1
Products	347.9	328.0	958.2	1,042.5
Software	91.2	84.0	265.4	236.5
	<u>890.7</u>	<u>882.7</u>	<u>2,601.1</u>	<u>2,641.1</u>
Gross profit	<u>228.3</u>	<u>240.0</u>	<u>687.7</u>	<u>718.3</u>
Selling and administrative expense	216.2	208.8	663.9	692.6
Research, development and engineering expense	36.6	34.2	118.9	114.4
Impairment of assets	109.3	—	199.3	3.1
(Gain) loss on sale of assets, net	0.1	5.6	(6.8)	(2.5)
	<u>362.2</u>	<u>248.6</u>	<u>975.3</u>	<u>807.6</u>
Operating profit (loss)	<u>(133.9)</u>	<u>(8.6)</u>	<u>(287.6)</u>	<u>(89.3)</u>
Other income (expense)				
Interest income	2.2	4.3	7.6	15.8
Interest expense	(45.2)	(27.7)	(99.6)	(90.7)
Foreign exchange gain (loss), net	2.2	3.2	(2.3)	(4.5)
Miscellaneous, net	1.8	(1.5)	0.9	1.7
Income (loss) before taxes	<u>(172.9)</u>	<u>(30.3)</u>	<u>(381.0)</u>	<u>(167.0)</u>
Income tax expense (benefit)	45.8	(0.9)	35.6	(60.5)
Net income (loss)	<u>(218.7)</u>	<u>(29.4)</u>	<u>(416.6)</u>	<u>(106.5)</u>
Net income (loss) attributable to noncontrolling interests	(6.1)	6.6	6.6	20.2
Net income (loss) attributable to Diebold Nixdorf, Incorporated	<u>\$ (212.6)</u>	<u>\$ (36.0)</u>	<u>\$ (423.2)</u>	<u>\$ (126.7)</u>
Basic weighted-average shares outstanding	76.1	75.5	76.0	75.4
Diluted weighted-average shares outstanding	76.1	75.5	76.0	75.4
Net income (loss) attributable to Diebold Nixdorf, Incorporated				
Basic earnings (loss) per share	\$ (2.79)	\$ (0.48)	\$ (5.57)	\$ (1.68)
Diluted earnings (loss) per share	\$ (2.79)	\$ (0.48)	\$ (5.57)	\$ (1.68)
Dividends declared and paid per common share	\$ —	\$ 0.10	\$ 0.10	\$ 0.30

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	\$ (218.7)	\$ (29.4)	\$ (416.6)	\$ (106.5)
Other comprehensive income (loss), net of tax				
Adoption of accounting standard	—	—	(29.0)	—
Translation adjustment	(19.7)	15.8	(82.8)	145.0
Foreign currency hedges (net of tax of \$(0.5), \$1.2, \$(1.6) and \$(0.2), respectively)	2.1	(2.4)	8.0	1.0
Interest rate hedges				
Net gain (loss) recognized in other comprehensive income (net of tax of \$(0.2), \$(0.1), \$(1.3) and \$(0.6), respectively)	(0.5)	0.3	2.3	1.8
Reclassification adjustment for amounts recognized in net income	1.0	—	2.1	(0.4)
	0.5	0.3	4.4	1.4
Pension and other post-retirement benefits				
Net actuarial gain (loss) amortization (net of tax of \$1.0, \$(0.5), \$0.8 and \$0.5, respectively)	(2.0)	1.0	1.6	(2.0)
Other comprehensive income (loss), net of tax	(19.1)	14.7	(97.8)	145.4
Comprehensive income (loss)	(237.8)	(14.7)	(514.4)	38.9
Less: comprehensive income (loss) attributable to noncontrolling interests	(7.4)	8.4	3.5	23.7
Comprehensive income (loss) attributable to Diebold Nixdorf, Incorporated	<u>\$ (230.4)</u>	<u>\$ (23.1)</u>	<u>\$ (517.9)</u>	<u>\$ 15.2</u>

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2018	2017
Cash flow from operating activities		
Net income (loss)	\$ (416.6)	\$ (106.5)
Adjustments to reconcile net income (loss) to cash flow used by operating activities:		
Depreciation and amortization	194.7	185.4
Share-based compensation	27.2	23.1
Gain on sale of assets, net	(6.8)	(2.5)
Impairment of assets	199.3	3.1
Deferred income taxes	(52.8)	(36.3)
Other	(2.7)	(1.4)
Changes in certain assets and liabilities, net of the effects of acquisitions		
Trade receivables	(20.6)	(57.5)
Inventories	(142.9)	(45.8)
Accounts payable	7.4	10.0
Income taxes	6.8	(46.8)
Prepaid and other current assets	(32.5)	(42.0)
Deferred revenue	(60.9)	(43.3)
Restructuring payments	(37.9)	(57.8)
Warranty liability	(28.3)	(25.0)
Certain other assets and liabilities	(5.5)	8.0
Net cash provided (used) by operating activities	(372.1)	(235.3)
Cash flow from investing activities		
Capital expenditures	(40.5)	(41.7)
Payment for acquisitions	(5.9)	(5.6)
Proceeds from maturities of short-term investments	275.0	249.5
Payments for purchases of short-term investments	(126.5)	(260.7)
Proceeds from sale of assets	10.8	14.6
Increase in certain other assets	(22.8)	(26.9)
Net cash provided (used) by investing activities	90.1	(70.8)
Cash flow from financing activities		
Dividends paid	(7.7)	(22.9)
Debt issuance costs	(38.9)	(1.1)
Revolving credit facility (repayments) borrowings, net	185.0	120.0
Other debt borrowings	706.0	381.0
Other debt repayments	(306.7)	(433.5)
Distributions and payments to noncontrolling interest holders	(337.8)	(16.3)
Issuance of common shares	—	0.3
Repurchase of common shares	(3.0)	(4.8)
Net cash provided (used) by financing activities	196.9	22.7
Effect of exchange rate changes on cash and cash equivalents	(14.4)	19.3
Increase (decrease) in cash, cash equivalents and restricted cash	(99.5)	(264.1)
Cash, cash equivalents and restricted cash at the beginning of the period	543.2	652.7
Cash, cash equivalents and restricted cash at the end of the period	\$ 443.7	\$ 388.6

See accompanying notes to condensed consolidated financial statements.

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
FORM 10-Q as of September 30, 2018
Notes to Condensed Consolidated Financial Statements
(unaudited)
(in millions, except per share amounts)

Note 1: Basis of Presentation

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, 2017. In addition, some of the Company's statements in this quarterly report on Form 10-Q may involve risks and uncertainties that could significantly impact expected future results. The results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of results to be expected for the full year.

Error Correction and Reclassification

During the third quarter of 2018, the Company identified an error in prior periods presented for repairable service parts inventory balances. Prior-period amounts of inventory, product cost of sales, income tax expense, other current liabilities and retained earnings have been adjusted. Management determined that the correction of the error was not material to each prior period. This correction was recorded within the Company's operations in the Americas Banking reporting segment. As a result of applying the correction retrospectively, previously reported service cost of sales for the three and nine months ended September 30, 2017 increased by \$1.0 and \$3.0, respectively, and previously reported net income and basic and diluted earnings per share decreased by \$0.6 and \$0.01 and \$1.9 and \$0.02, respectively. The decrease in the inventory balance and the aggregated amount of the correction reflected in other current liabilities and retained earnings as of December 31, 2017 was \$8.1. There was no impact of the correction on previously reported cash flows from operations for the prior period.

In connection with recent changes in the Company's leadership, beginning with the second quarter of 2018, the Company's reportable operating segments are based on the following solutions: Eurasia Banking, Americas Banking and Retail. 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 included finance lease receivables of \$14.9 and \$14.4 in other assets as of September 30, 2018 and December 31, 2017, respectively, in the condensed consolidated balance sheets. The Company reclassified \$8.0 from other current assets to restricted cash as of December 31, 2017 in the condensed consolidated balance sheets and was included in cash, cash equivalents and restricted cash as of September 30, 2017 in the condensed consolidated statements of cash flows.

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(unaudited)
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Recently Adopted Accounting Guidance

Standards Adopted	Description	Effective Date
Accounting Standards Update (ASU) 2014-09, <i>Revenue from Contracts with Customers</i>	The standard replaced the most recent previously existing revenue recognition guidance in U.S. GAAP and required additional financial statement disclosures. The standard requires revenue to be recognized when the Company expects to be entitled in exchange for the transfer of promised goods or services to customers. The standard was adopted using a modified retrospective approach to open contracts as of the effective date, January 1, 2018. The standard is intended to reduce potential for diversity in practice at initial application and reducing the cost and complexity of applying Topic 606 both at transition and prospectively. As a result of the adoption, the cumulative increase to the Company's retained earnings at January 1, 2018 was \$4.6.	January 1, 2018
ASU 2017-07, <i>Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost</i>	The standard was issued to address the net presentation of the components of net benefit cost. The standard requires that service cost be presented in the same line item as other current employee compensation costs and that the remaining components of net benefit cost be presented in a separate line item outside of any subtotal for income from operations. The adoption of this update did not have a material impact on the financial statements of the Company.	January 1, 2018
ASU 2017-12, <i>Derivatives and Hedging: Target Improvements to Accounting for Hedging Activities</i>	The purpose of this updated guidance is to better align a company's financial reporting for hedging activities with the economic objectives of those activities. For existing hedges as of the date of the adoption, the Company eliminated a minimal amount of ineffectiveness by means of a cumulative-effect adjustment to accumulated other comprehensive income (AOCI) with a corresponding adjustment to retained earnings. As a result of the standard, \$(0.4) and \$2.4 was included in net sales for the three and nine months ended September 30, 2018, respectively, and \$(0.7) and \$(0.6) in cost of sales for the three and nine months ended September 30, 2018, respectively.	Early adopted January 1, 2018
ASU 2018-02, <i>Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income</i>	The standard allows for reclassification of stranded tax effects on items resulting from the U.S. Tax Cuts and Jobs Act (the Tax Act) from AOCI to retained earnings. Tax effects unrelated to the Tax Act are released from AOCI using either the specific identification approach or the portfolio approach based on the nature of the underlying item. As a result of the adoption, during the first quarter of 2018, the Company recorded an adjustment to retained earnings resulting in a increase of \$29.0, with a corresponding decrease to AOCI due to the reduction in the corporate tax rate.	Early adopted January 1, 2018
ASU 2017-04, <i>Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment</i>	The standard simplifies 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. The adoption of this update did not have an impact on the financial statements of the Company and only simplifies the procedure for the goodwill impairment test.	Early adopted January 1, 2018

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Recently Issued Accounting Guidance

Standards Pending Adoption	Description	Effective/Adoption Date	Anticipated Impact
ASU 2016-02, <i>Leases</i>	The standard requires that a lessee recognize on its balance sheet right-of-use assets and corresponding liabilities resulting from leasing transactions, as well as additional financial statement disclosures. Currently, U.S. GAAP only requires balance sheet recognition for leases classified as capital leases. The provisions of this update apply to substantially all leased assets.	January 1, 2019	The Company is currently evaluating the impact the standard will have on its financial information and related disclosures. The standard requires a modified retrospective transition method with the option to elect a package of practical expedients, which the Company anticipates utilizing and will continue to evaluate. The Company anticipates a material balance sheet gross-up for the right-of-use assets and corresponding liabilities, with no anticipated impact to debt covenants.
ASU 2018-13, <i>Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement</i>	The standard is designed to improve the effectiveness of disclosures by removing, modifying and adding disclosures related to fair value measurements.	January 1, 2020	The Company is currently assessing the impact this ASU will have on its consolidated financial statements. The ASU allows for early adoption in any interim period after issuance of the update.
ASU 2018-05, <i>Income Taxes (Topic 740): Amendments to SEC Paragraphs pursuant to SEC Staff Accounting Bulletin No. 118</i>	This guidance amends SEC paragraphs in Topic 740, <i>Income Taxes</i> , to reflect SAB 118, which provides guidance for companies that are not able to complete their accounting for the income tax effects of the Tax Act in the period of enactment.	January 1, 2021	This guidance also includes amendments to the XBRL Taxonomy. For public business entities, the amendments in ASU 2018-05 are effective for fiscal years ending after December 15, 2020 and early adoption is permitted. The Company does not expect adoption of this guidance to have a significant impact on its condensed consolidated financial statements.
ASU 2018-14, <i>Compensation - Retirement Benefits - Defined Benefit Plans - General Subtopic 715-20 - Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans</i>	The standard is designed to improve the effectiveness of disclosures by removing and adding disclosures related to defined benefit plans.	January 1, 2021	The Company is currently assessing the impact this ASU will have on its condensed consolidated financial statements. The ASU allows for early adoption in any year end after issuance of the update.

Note 2: Revenue

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The amount of consideration can vary depending on discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties, or other similar items contained in the contract with the customer of which generally these variable consideration components represent less than one percent of revenues. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

The Company's payment terms vary depending on the individual contracts and are generally fixed fee. The Company recognizes advance payments and billings in excess of revenue recognized as deferred revenue. In certain contracts where services are provided prior to billing, the Company recognizes a contract asset within trade receivables and other current assets.

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

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

The Company recognizes shipping and handling fees billed when products are shipped or delivered to a customer and includes such amounts in net sales. Although infrequent, shipping and handling associated with outbound freight after control over a product has transferred to a customer is not a separate performance obligation, rather is accounted for as a fulfillment cost. Third-party freight payments are recorded in cost of sales.

The Company includes a warranty in connection with certain contracts with customers, which are not considered to be separate performance obligations. 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. For additional information on product warranty refer to note 9. The Company also has extended warranty and service contracts available for its customers, which are recognized as separate performance obligations. Revenue is recognized on these contracts ratably as the Company has a stand-ready obligation to provide services when or as needed by the customer. This input method is the most accurate assessment of progress toward completion the Company can apply.

Nature of goods and services

The following is a description of principal solutions offered within the Company's two main industry segments that generate the Company's revenue. For more detailed information about reportable operating segments, see note 20.

The Company provides its banking customers product-related services which 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 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.

Banking and retail services may be sold separately or in bundled packages. The typical contract length for service is generally one year and is billed and paid in advance except for installations, among others.

The Company's hardware-agnostic software applications facilitate millions of transactions via automated teller machines (ATMs), point of sale (POS) terminals, kiosks, and other self-service devices. The Company provides its banking customers front-end applications for consumer connection points and back-end platforms that manage channel transactions, operations and integration. For its retail customers, the Company provides a comprehensive, modular solution capable of enabling the most advanced omnichannel retail use cases. The Company's platform software is installed within bank and retail data centers to facilitate omnichannel transactions, endpoint monitoring, remote asset management, customer marketing, merchandise management and analytics. These offerings include highly configurable, application program interface (API) enabled software that automates legacy banking transactions across channels.

The Company's software solution includes its professional services team, who 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 and store automation objectives.

Software licenses and professional services may be sold separately or in bundled packages. Software licenses when bundled with professional services, where the service is modifying the intellectual property (IP), is non-distinct from the professional service. The consideration (including any discounts) is allocated between distinct obligations in a bundle based on their stand-alone selling prices. For items that are not sold separately, the Company estimates stand-alone selling prices using the cost plus expected margin approach or in the case of the software license the residual approach may be used.

The Company considered ASC 606-10-32-34(c)(2), which provides the criteria that "the entity has not yet established a price for that good or service, and the good or service has not previously been sold on a standalone basis (that is, the selling price is uncertain)." The Company considers software as capable of being distinct, although it generally is not distinct in the context of

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
FORM 10-Q as of September 30, 2018
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)
(in millions, except per share amounts)

the contract. Since the Company generally does not sell its software on a stand-alone basis there is limited history to accurately establish a stand-alone selling price. The Company does not have an established standalone selling price for its software.

Additionally, the Company considers the customization of the intellectual property significant since the professional services integrate the commercial solution with the customer's existing infrastructure. Although the services are capable of being distinct, they are not distinct within the context of the contract. The Company concluded this fully integrated commercial solution is inseparable since its customers generally only benefit from the combined output, which includes both the intellectual property and the professional services. The percentage of the Company's consolidated net sales recognized from integration and customization of software represented approximately one percent for the three and nine months ended September 30, 2018 and 2017.

The Company's software licenses are functional in nature (the IP has significant stand-alone functionality); as such, the revenue recognition of distinct software license sales is at the point in time that the customer obtains control of the rights granted by the license. Revenue from professional services are recognized over time, because the customer simultaneously receives and consumes the benefits of the Company's performance as the services are performed or when the Company's performance creates an asset with no alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Generally revenue will be recognized using an input measure, typically costs incurred.

Products for banking customers consist of cash recyclers and dispensers, intelligent deposit terminals, teller automation tools and kiosk technologies, as well as physical security solutions. The retail product portfolio includes modular, integrated and mobile POS and self-checkout (SCO) terminals that meet evolving automation and omnichannel requirements of consumers. Supplementing the POS system is a broad range of peripherals, including printers, scales and mobile scanners, as well as the cash management portfolio which offers a wide range of banknote and coin processing systems. Also in the portfolio, the Company provides self-checkout terminals and ordering kiosks which facilitate an efficient and user-friendly purchasing experience. The Company's hybrid product line can alternate from an attended operator to self-checkout with the press of a button as traffic conditions warrant throughout the business day.

For bundled packages, the Company accounts for individual services separately if they are distinct. A distinct service is separately identifiable from other items in the bundled package if a customer can benefit from it on its own or with other resources that are readily available to the customer. The consideration (including any discounts) is allocated between separate services or distinct obligations in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the prices at which the Company separately sells the products or services. For items that are not sold separately, the Company estimates stand-alone selling prices using the cost plus expected margin approach. Revenue on service contracts is recognized ratably over time, generally using an input measure, as the customer simultaneously receives and consumes the benefits of the Company's performance as the services are performed. In some circumstances, when global service supply chain services are not included in a term contract and rather billed as they occur, revenue on these billed work services are recognized at a point in time as transfer of control occurs. Product revenue is recognized at the point in time that the customer obtains control of the product, which could be upon delivery or upon completion of installation services, depending on contract terms.

The Company considered ASC 606-10-32-34 during its assessment of standalone selling price for its software licenses sold, noting observable prices are not generally available due to high variability and customization related to its software and service solutions. The Company considered current market trends, geography, competitors and the effects of customization when concluding that observable prices were not available. The observed prices are highly variable due to the varying levels of customization of software solutions that help define optimal user experience, improve business processes, refine existing staffing models and deploy technology to meet branch and store automation objectives. Due to the nature and level of customization that is included in the Company's software and service solutions, there is no expected cost plus margin approach available for the software component of the bundled packages. Margins can vary based on the customer, retail or banking solution and level of customization, which could include software solutions, as mentioned above, that help define optimal user experience, improve business processes, refine existing staffing models and deploy technology to meet branch and store automation objectives. The Company's software licenses do not have clear identifiable fulfillment costs so the expected cost plus margin approach is not practical. The Company considered these factors when assessing the market assessment approach and the expected cost plus margin approach and concluded the residual approach was appropriate.

The Company allocates price between products and software net sales when hardware is sold. Hardware sales include operating system software that is required for the hardware to function. The Company generally allocates revenue using the residual method for software included in hardware sales.

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The Company evaluates on a contract by contract basis software license sales that are standalone and software license sales that are accounted for under the residual method, but does not aggregate such sales. Software net sales using the residual approach represented approximately two percent of the Company's total consolidated net sales for the three and nine months ended September 30, 2018 and 2017.

Disaggregation of revenue

For additional information related to revenue disaggregation by reportable segment, refer to note 20.

The following table presents information regarding the Company's revenue by geographic region:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Eurasia Banking				
Services	\$ 229.8	\$ 240.2	\$ 702.2	\$ 699.8
Products	152.0	167.5	451.7	527.0
Software	52.5	53.4	153.0	145.8
Total Eurasia Banking	434.3	461.1	1,306.9	1,372.6
Americas Banking				
Services	237.2	245.8	706.7	729.7
Products	118.0	106.2	292.3	323.1
Software	27.3	24.7	87.8	75.9
Total Banking Americas	382.5	376.7	1,086.8	1,128.7
Retail				
Services	116.9	119.8	360.7	329.8
Products	144.6	123.3	412.4	412.1
Software	40.7	41.8	122.0	116.2
Total Retail	302.2	284.9	895.1	858.1
Total net sales	\$ 1,119.0	\$ 1,122.7	\$ 3,288.8	\$ 3,359.4

In the following table, revenue is disaggregated by timing of revenue recognition:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Timing of revenue recognition				
Products transferred at a point in time	39%	37%	37%	39%
Products and services transferred over time	61%	63%	63%	61%
Net sales	100%	100%	100%	100%

Contract balances

The following table provides 2018 information about receivables and deferred revenue, which represent contract liabilities from contracts with customers:

Contract balance information	Trade Receivable	Contract liabilities
Balance at January 1	\$ 830.1	\$ 437.5
Balance at September 30	\$ 818.1	\$ 365.3

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Contract assets are minimal for the periods presented. The amount of revenue recognized in 2018 from performance obligations satisfied (or partially satisfied) in previous periods, mainly due to the changes in the estimate of variable consideration and contract modifications was de minimis. There have been \$9.7 and \$11.5 during the three months ended September 30, 2018 and 2017, respectively, and \$20.6 and \$26.3 during the nine months ended September 30, 2018 and 2017, respectively, of impairment losses recognized as bad debt related to receivables or contract assets arising from the Company's contracts with customers.

As of January 1, 2018, the Company had \$437.5 of unrecognized deferred revenue constituting the remaining performance obligations that are either unsatisfied (or partially unsatisfied). In 2018, the Company recognized revenue of \$241.4 related to the Company's deferred revenue balance at January 1, 2018.

Contract assets are the rights to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditional on something other than the passage of time. Contract assets of the Company primarily relate to the Company's rights to consideration for goods shipped and services provided but not contractually billable at the reporting date.

The contract assets are reclassified into the receivables balance when the rights to receive payment become unconditional. Contract liabilities are recorded for any services billed to customers and not yet recognizable if the contract period has commenced or for the amount collected from customers in advance of the contract period commencing. In addition, contract liabilities are recorded as advanced payments for products and other deliverables that are billed to and collected from customers prior to revenue being recognizable.

Transaction price and variable consideration

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. This consideration can include fixed and variable amounts and is determined at contract inception and updated each reporting period for any changes in circumstances. The transaction price also considers variable consideration, time value of money and the measurement of any non-cash consideration, all of which are estimated at contract inception and updated at each reporting date for any changes in circumstances. Once the variable consideration is identified, the Company estimates the amount of the variable consideration to include in the transaction price by using one of two methods, expected value (probability weighted methodology) or most likely amount (when there are only two possible outcomes). The Company chooses the method expected to better predict the amount of consideration to which it will be entitled and applies the method consistently to similar contracts. Generally, the Company applies the expected value method when assessing variable consideration including returns and refunds.

The Company also applies the 'as invoiced' practical expedient in paragraph 606-10-55-18 related to performance obligations satisfied over time, which permits the Company to recognize revenue in the amount to which it has a right to invoice the customer if that amount corresponds directly with the value to the customer of the Company's performance completed to date. Service revenues that are recognized ratably are primarily contracts that include first and second line maintenance. Service revenues that are recognized using input measures include primarily preventative maintenance. The 'as invoiced' practical expedient relates to the on-demand service revenue which is generally not under contract.

Transaction price allocated to the remaining performance obligations

As of September 30, 2018, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$2,900. The Company expects to recognize revenue on the remaining performance obligations over the next twelve months. The Company enters into service agreements with cancellable terms after a certain period without penalty. Unsatisfied obligations reflect only the obligation during the initial term. The Company applies the practical expedient in paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The Company also applies the 'as invoiced' practical expedient in paragraph 606-10-55-18 related to performance obligations satisfied over time which permits the Company to recognize revenue in the amount to which it has a right to invoice the customer if that amount corresponds directly with the value to the customer of the Company's performance completed to date. Service revenues that are recognized ratably are primarily contracts that include first and second line maintenance. Service revenues that are recognized using input measures include primarily preventative maintenance. The 'as invoiced' practical expedient relates to the on-demand service revenue, which is generally not under contract.

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Cost to obtain and cost to fulfill a contract

The Company has minimal cost to obtain or fulfill contracts for customers for the periods presented. The Company pays commissions to the sales force based on multiple factors including but not limited to order entry, revenue recognition and portfolio growth. These incremental commission fees paid to the sales force meet the criteria to be considered a cost to obtain a contract, as they are directly attributable to a contract, incremental and management expects the fees are recoverable. The Company applies the practical expedient and recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. The costs that are not capitalized are included in cost of sales. The costs related to contracts with greater than a one-year term are immaterial and continue to be recognized in cost of sales.

Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in cost of sales. The Company has minimal cost for shipping and handling costs for the periods presented.

Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these condensed consolidated financial statements.

The Company adopted Topic 606, *Revenue from Contracts with Customers*, with a date of initial application of January 1, 2018. As a result, the Company has changed its accounting policy for revenue recognition as detailed below.

The Company applied Topic 606 using the cumulative effect method - i.e., by recognizing the cumulative effect of initially applying Topic 606 as an adjustment to the opening balance of equity at January 1, 2018. Therefore, the comparative information has not been adjusted and continues to be reported under Topic 605. The Company applied the practical expedient related to assessment of contract modifications, whereby the Company is essentially allowed to use hindsight when assessing the effect of a modification and accounting for the modified contract as if it existed from the beginning of the original contract.

The details of the significant changes and quantitative impact of the changes are set out below.

Professional service contracts

Previously, the Company recognized revenue for professional services contracts either on a milestone method or completed contract basis. Under Topic 606, the Company recognizes revenue when control transfers to a customer. As professional services can be highly customized for each customer, there is no alternative use for the services. When there is an enforceable right to payment for service completed combined with no alternative use of the services, the services meet criteria for over time revenue recognition. Revenue is recognized as the services are provided and as the customer benefits from the service. Revenue is recognized progressively based on the costs incurred method. When the professional services are not highly customized as in basic software installation services, customers do not take control of the services until they are completed. Therefore, the Company continues to recognize revenue for such contracts when the services are completed and customers formally accept them.

In certain circumstances, a contract with a customer that contains a software arrangement may include provisions for customer acceptance. In these cases, when or as the performance obligation is satisfied, the Company recognizes revenue and records a contract asset until customer acceptance is received. Once customer acceptance is received, the contract asset is reclassified to accounts receivable. As of September 30, 2018, contract assets related to these arrangements are minimal. In situations where the performance obligation has not been met and the Company has not received customer acceptance, no revenue is recognized.

Customer acceptance provisions by their nature require the customer to approve that the Company satisfied its performance obligation and are generally standard throughout our contracts with customers.

If an instance arises where the Company would recognize revenue prior to customer acceptance, which occurs primarily when the Company provides bundled software and professional services, it is the Company's policy, pursuant to ASC 606, when or as the performance obligation is satisfied, to recognize revenue and record a contract asset or reduce deferred revenue, as applicable,

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until customer acceptance is received. Once customer acceptance is received, the contract asset is reclassified to trade receivables, net. In these circumstances, the Company would consider ASC 606-10-55-86 and -87 and conclude that although a standard method to transferring the software and services is not met, the standard terms of the customer acceptance provisions and favorable history of customer acceptances support revenue recognition prior to customer acceptance. The Company also would only recognize revenue prior to customer acceptance only if there were no remaining inputs related to performance obligation. These instances are currently immaterial. For certain contracts that contain customer acceptance clauses, such as customized software arrangements, the revenue is recognized pursuant to ASC 606-25 25-27(c) since the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

Impacts on financial statements

The following tables summarize the impacts of adopting Topic 606 on the Company's condensed consolidated financial statements as of and for the period ended September 30, 2018 as if the Company continued to follow its accounting policies under the previous revenue recognition guidance.

	Impact of changes in accounting policy for the nine months ended September 30, 2018 (unaudited)			Balances without adoption of Topic 606
	As Reported	Adjustments		
Trade receivables, less allowances for doubtful accounts of \$55.3 and \$71.7, respectively	\$ 818.1	\$ (5.4)	\$	812.7
Inventories	\$ 846.5	\$ 25.2	\$	871.7
Deferred revenue	\$ 365.3	\$ 30.1	\$	395.4
Deferred income taxes	\$ 240.7	\$ (0.9)	\$	239.8
Retained earnings (accumulated deficit)	\$ (3.2)	\$ (9.4)	\$	(12.6)

The impact to net sales and cost of sales would have been decreases of \$5.2 and \$6.5, respectively, for the three months ended September 30, 2018 and \$19.0 and \$15.1, respectively, for the nine months ended September 30, 2018. The impact after tax was \$0.9 and \$(2.7) for the three and nine months ended September 30, 2018, respectively, and was primarily a result of timing of deferred revenue related to products and software for certain amounts being recognized that would have previously been deferred, and certain amounts being deferred that would have previously been recognized.

Note 3: 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), director deferred shares and shares that were vested but deferred by employees. The Company calculated basic and diluted earnings (loss) per share under both the treasury stock method and the two-class method. For the three and nine months ended September 30, 2018 and 2017, there were no differences in the earnings (loss) per share amounts calculated under the two methods. Accordingly, the treasury stock method is disclosed below.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Numerator				
Income (loss) used in basic and diluted earnings (loss) per share				
Net income (loss)	\$ (218.7)	\$ (29.4)	\$ (416.6)	\$ (106.5)
Net income (loss) attributable to noncontrolling interests	(6.1)	6.6	6.6	20.2
Net income (loss) attributable to Diebold Nixdorf, Incorporated	<u>\$ (212.6)</u>	<u>\$ (36.0)</u>	<u>\$ (423.2)</u>	<u>\$ (126.7)</u>
Denominator				
Weighted-average number of common shares used in basic earnings (loss) per share	76.1	75.5	76.0	75.4
Weighted-average number of shares used in diluted earnings (loss) per share ⁽¹⁾	76.1	75.5	76.0	75.4
Net income (loss) attributable to Diebold Nixdorf, Incorporated				
Basic earnings (loss) per share	\$ (2.79)	\$ (0.48)	\$ (5.57)	\$ (1.68)
Diluted earnings (loss) per share	\$ (2.79)	\$ (0.48)	\$ (5.57)	\$ (1.68)
Anti-dilutive shares				
Anti-dilutive shares not used in calculating diluted weighted-average shares	4.7	2.8	4.6	2.6

⁽¹⁾ Incremental shares of 0.7 and 0.8 shares for the three months ended September 30, 2018 and 2017, respectively, and 0.8 and 0.7 shares for the nine months ended September 30, 2018 and 2017, respectively, would have been included in the weighted-average number of shares used in diluted earnings (loss) per share used in the computation of diluted earnings (loss) per share because their effects are dilutive.

In May 2018, the Company announced its decision to reallocate future dividend funds towards debt reduction and other capital resource needs.

Note 4: 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 \$6.9 and \$8.1 for the three months ended September 30, 2018 and 2017, respectively, and was \$27.2 and \$23.1 for the nine months ended September 30, 2018 and 2017, respectively.

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Options outstanding and exercisable as of September 30, 2018 are included under the Company's 1991 Equity and Performance Incentive Plan (as Amended and Restated as of February 12, 2014) (the 1991 Plan) and the Company's 2017 Equity and Performance Incentive Plan (the 2017 Plan). In conjunction with the appointment of the Chief Executive Officer on February 21, 2018, the board approved the grant of options, performance share units and RSUs outside of the 2017 Plan. Changes during the nine months ended September 30, 2018 were as follows:

	Number of Shares	Weighted- Average Exercise Price (per share)	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value ⁽¹⁾
Outstanding at January 1, 2018	2.3	\$ 29.68		
Expired or forfeited	(0.2)	\$ 29.89		
Granted	0.5	\$ 17.53		
Outstanding at September 30, 2018	2.6	\$ 27.16	7	\$ —
Options exercisable September 30, 2018	1.5	\$ 30.44	6	\$ —
Options vested and expected to vest⁽²⁾ at September 30, 2018	2.5	\$ 27.34	7	\$ —

⁽¹⁾ The aggregate intrinsic value (the difference between the closing price of the Company's common shares on the last trading day of the third quarter of 2018 and the exercise price, multiplied by the number of "in-the-money" options) that would have been received by the option holders had all option holders exercised their options on September 30, 2018. The amount of aggregate intrinsic value will change based on the fair market value of the Company's common shares.

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

The following table summarizes information on non-vested RSUs and performance shares relating to employees and non-employee directors for the nine months ended September 30, 2018:

	Number of Shares	Weighted-Average Grant-Date Fair Value
RSUs:		
Non-vested at January 1, 2018	1.3	\$ 27.76
Forfeited	(0.2)	\$ 22.17
Vested	(0.7)	\$ 28.80
Granted	1.3	\$ 17.71
Non-vested at September 30, 2018	1.7	\$ 20.30
Performance Shares:		
Non-vested at January 1, 2018	2.5	\$ 31.37
Forfeited	(0.9)	\$ 29.07
Vested	(0.2)	\$ 32.38
Granted	1.6	\$ 22.65
Non-vested at September 30, 2018	3.0	\$ 26.88

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

As of September 30, 2018, there were 0.1 non-employee director deferred shares vested and outstanding.

On April 25, 2018, the Company's shareholders approved amendments to the 2017 Plan, which provide for an additional 1.2 common shares available for award. The 2017 Plan is expected to attract and retain directors, officers and employees of the Company by providing incentives and rewards for performance.

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Note 5: Income Taxes

The Tax Act was enacted on December 22, 2017. The Tax Act reduces the U.S. federal corporate income tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings for certain foreign subsidiaries and creates new taxes on certain foreign sourced earnings. The Company applied the guidance in SAB 118 when accounting for the enactment date effects of the Tax Act. As of September 30, 2018, the Company has not completed the accounting for all the tax effects of the Tax Act. However, upon further analysis of certain aspects of the Tax Act and refinements to the Company's calculations, the Company has increased the provisional estimate relating to deemed repatriation transition tax (transition tax) by \$46.8. This increase in the provisional estimate has been included as a discrete item in the interim period ended September 30, 2018. The Company will continue to refine the provision estimate over the one-year measurement period ending December 31, 2018 which will include the period in which the Company filed its U.S. Corporation Income Tax Return. The final impacts of the Tax Act may differ materially as additional guidance and information becomes available and the U.S. federal tax filing, including transition tax, is complete.

The effective tax rate on the loss before taxes was (26.5) percent for the three months ended September 30, 2018 and (9.3) percent for the nine months ended September 30, 2018. The expense on the loss for the three months ended and nine months ended was primarily due to a goodwill impairment charge, the impacts of the Tax Act and the higher interest expense burden resulting from the debt restructuring. More specifically, the expense on the loss reflects refinement of the transition tax, the impacts related to global intangible low-taxed income (GILTI) and the business interest deduction limitation which, as a result of the Company's debt restructuring activities during the quarter, required a full valuation allowance on the current year nondeductible business interest expense. In addition, the benefit on the losses for the nine months is reduced by the goodwill impairment charge, which for tax purposes is primarily nondeductible, of \$109.3 and \$90.0 incurred in the third and second quarter, respectively. The effective tax rate could vary in future periods based on the Company's earnings before taxes and clarification around the Tax Act.

The effective tax rate on the loss before taxes was 3.0 percent for the three months ended September 30, 2017 and 36.2 percent for the nine months ended September 30, 2017. The tax for the three months ended September 30, 2017 reflects an unfavorable adjustment relating to year-to-date changes in the Company's valuation allowance as well as higher than anticipated losses incurred in jurisdictions with a full valuation allowance throughout the period. During the three and nine months ended September 30, 2017, the overall reduction in the tax benefit was offset by the repatriation of foreign earnings and the associated recognition of foreign tax credits as well as favorable discrete items associated with the release of uncertain tax positions due to the expiration of the statute of limitations and reductions in the Company's deferred tax liability relating to undistributed foreign subsidiary earnings.

Note 6: Inventories

Major classes of inventories are summarized as follows:

	September 30, 2018	December 31, 2017
Finished goods	\$ 387.8	\$ 301.9
Service parts	251.5	262.5
Raw materials and work in process	207.2	164.5
Total inventories	\$ 846.5	\$ 728.9

As a result of applying the correction of repairable service parts inventory retrospectively, a decrease in the inventory balance of \$8.1 was reflected in the December 31, 2017 service parts balance previously reported.

The increase in finished goods inventory was primarily attributable to increased inventory in Germany and Mexico to satisfy various customer projects. Raw materials and work in process inventory increased primarily due to a build up of inventory in the U.S. to satisfy a recent large retail customer and certain supply chain issues.

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Note 7: 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 or proceeds from the sale of available-for-sale securities for the three and nine months ended September 30, 2018 and 2017.

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

	Cost Basis	Unrealized Gain	Fair Value
As of September 30, 2018			
Short-term investments			
Certificates of deposit	\$ 5.0	\$ —	\$ 5.0
Long-term investments			
Assets held in a rabbi trust	\$ 6.0	\$ 1.0	\$ 7.0
As of December 31, 2017			
Short-term investments			
Certificates of deposit	\$ 81.4	\$ —	\$ 81.4
Long-term investments			
Assets held in a rabbi trust	\$ 8.3	\$ 1.1	\$ 9.4

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 with its strategic alliances. The Company's strategic alliances are not significant subsidiaries and are accounted for under the equity method of investments. As of September 30, 2018 and December 31, 2017, the Company had accounts receivable with these affiliates of \$20.2 and \$15.6, respectively, which are included in trade receivables, less allowances for doubtful accounts on the condensed consolidated balance sheets. As of September 30, 2018 and December 31, 2017, the Company had accounts payable balances with these affiliates of \$10.0 and \$17.8, respectively, which are included in accounts payables on the condensed consolidated balance sheets.

In May 2017, the Company announced a strategic partnership with Kony, 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. As of September 30, 2018, the Company's carrying value in Kony was \$14.0 and the fair value was not estimated as there were no events or changes in circumstances in the investment.

Securities and other investments also includes a cash surrender value of insurance contracts of \$8.3 and \$79.8 as of September 30, 2018 and December 31, 2017, respectively. The decrease is due to the monetization of the Company's investment in the company owned life insurance plans for cash needs across the organization. In addition, it includes an interest rate swap asset carrying value of \$8.8 and \$7.6 as of September 30, 2018 and December 31, 2017, respectively, which also represents fair value (refer to note 18).

The Company has finance lease receivables of \$14.9 and \$14.4 in other assets as of September 30, 2018 and December 31, 2017, respectively, in the condensed consolidated balance sheets.

There were no significant changes in provision for credit losses, recoveries and write-offs during the nine months ended September 30, 2018 and 2017. In both the three and nine months ended September 30, 2018, the Company sold finance receivables of \$4.5 in Brazil. As of September 30, 2018, finance leases and notes receivable individually evaluated for impairment were \$30.5 and \$10.8, respectively, with no provision recorded. As of September 30, 2017, finance leases and notes receivable individually evaluated for impairment were \$32.4 and \$21.0, respectively.

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

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accounts. Credit quality is reviewed at inception and is re-evaluated as needed based on customer-specific circumstances. Receivable balances 60 days to 89 days past due are reviewed and may be placed on nonaccrual status based on customer-specific circumstances. Receivable balances are placed on nonaccrual status upon reaching greater than 89 days past due. Upon receipt of payment on nonaccrual financing receivables, interest income is recognized and accrual of interest is resumed once the account has been made current or the specific circumstances have been resolved.

As of September 30, 2018 and December 31, 2017, the recorded investment in past due financing receivables on nonaccrual status was \$0.4 and \$0.6, 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 as of September 30, 2018 and December 31, 2017 and was fully reserved and as of September 30, 2018 are all greater than 89 days past due.

Note 8: Goodwill and Other Assets

The Company's three reportable operating segments are Eurasia Banking, Americas Banking and Retail. The Company has allocated goodwill to its Eurasia Banking, Americas Banking and Retail reportable operating segments. The changes in carrying amounts of goodwill within the Company's segments are summarized as follows:

	Eurasia Banking	Americas Banking	Retail	Total
Goodwill	\$ 513.0	\$ 425.4	\$ 350.6	\$ 1,289.0
Accumulated impairment losses	(168.7)	(122.0)	—	(290.7)
Balance at January 1, 2017	\$ 344.3	\$ 303.4	\$ 350.6	\$ 998.3
Goodwill acquired	1.6	—	4.0	5.6
Goodwill adjustment	(1.1)	(1.0)	(0.8)	(2.9)
Currency translation adjustment	71.8	2.2	42.1	116.1
Goodwill	\$ 585.3	\$ 426.6	\$ 395.9	\$ 1,407.8
Accumulated impairment losses	(168.7)	(122.0)	—	(290.7)
Balance at December 31, 2017	\$ 416.6	\$ 304.6	\$ 395.9	\$ 1,117.1
Currency translation adjustment	(17.9)	(5.5)	(11.1)	(34.5)
Goodwill	\$ 567.4	\$ 421.1	\$ 384.8	\$ 1,373.3
Impairment	(98.1)	—	(101.2)	(199.3)
Accumulated impairment losses	(266.8)	(122.0)	(101.2)	(490.0)
Balance at September 30, 2018	\$ 300.6	\$ 299.1	\$ 283.6	\$ 883.3

The Company identified four reporting units, which are Eurasia Banking, Americas Banking, Europe, Middle East and Africa (EMEA) Retail and Rest of World Retail. Management determined that the Americas Banking reporting unit had excess fair value of \$168.4 or 25.9 percent cushion when compared to its carrying amount. The Eurasia Banking, EMEA Retail and Rest of World Retail reporting units had no excess fair value or cushion when compared to their carrying amounts. Changes in certain assumptions or the Company's failure to execute on the current plan could have a significant impact to the estimated fair value of the reporting units.

As a result of certain impairment triggering events, the Company performed an impairment test of goodwill for its four reporting units during the third quarter of 2018. Based on the results of the impairment testing, the Company recorded a non-cash goodwill impairment loss of \$109.3 related to the Eurasia Banking, EMEA Retail and Rest of World Retail reporting units during the third quarter of 2018. During the second quarter of 2018, the Company performed an impairment test of goodwill for all of its line of businesses (LoB) reporting units due to the change in its reportable operating segments. Based on the results of the LoB testing, the fair values of each of the Company's reporting units exceed their carrying values except for the Services-Asia Pacific (AP) and Software-EMEA reporting units which resulted in a non-cash impairment loss of \$90.0 during the second quarter 2018. The Company recognized a non-cash goodwill impairment loss of \$199.3 during the nine months ended 2018. In 2017, the Company recorded impairments totaling \$3.1 related to information technology (IT) transformation and integration activities.

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During the third and second quarter 2018, the Company estimated the fair value of its reporting units using a combination of the income valuation and market approach methodologies. The determination of the fair value of a reporting unit requires significant estimates and assumptions, including significant unobservable inputs. The key inputs included, but were not limited to, discount rates, terminal growth rates, market multiple data from selected guideline public companies, management's internal forecasts which include numerous assumptions such as projected net sales, gross profit, sales mix, operating and capital expenditures and earnings before interest and taxes margins, among others.

The following summarizes information on intangible assets by major category:

	Weighted-average remaining useful lives	September 30, 2018			December 31, 2017		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships, net	6.9 years	\$ 722.2	\$ (162.5)	\$ 559.7	\$ 741.5	\$ (108.2)	\$ 633.3
Internally-developed software	1.8 years	208.5	(122.1)	86.4	192.9	(99.8)	93.1
Development costs non-software	0.4 years	53.2	(43.2)	10.0	55.3	(35.1)	20.2
Other intangibles	0.9 years	74.8	(59.3)	15.5	84.5	(57.3)	27.2
Other intangible assets, net		336.5	(224.6)	111.9	332.7	(192.2)	140.5
Total		\$ 1,058.7	\$ (387.1)	\$ 671.6	\$ 1,074.2	\$ (300.4)	\$ 773.8

Amortization expense on capitalized software of \$8.8 and \$8.6 was included in service and software cost of sales for the three months ended September 30, 2018 and 2017, respectively. Amortization expense on capitalized software of \$25.6 and \$27.9 was included in service and software cost of sales for the nine months ended September 30, 2018 and 2017, respectively. The Company's total amortization expense, including deferred financing costs, was \$38.2 and \$42.7 the three months ended September 30, 2018 and 2017, respectively. The Company's total amortization expense, including deferred financing costs, was \$114.8 and \$121.6 for the nine months ended September 30, 2018 and 2017, respectively.

In 2018, the Company acquired the remaining portion of the noncontrolling interest in its China operations for \$5.8 for which no goodwill was recorded. In 2017, the \$5.6 acquired goodwill from Moxx Group B.V. (Moxx) and Visio Objekt GmbH (Visio) primarily relates to anticipated synergies achieved through increased scale and higher utilization of the service organization.

Note 9: 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 payments or fulfill contractual obligations, the suppliers, customers, regulatory agencies and insurance providers may draw on the pertinent bank. At September 30, 2018, the maximum future payment obligations related to these various guarantees totaled \$157.6, of which \$28.0 represented standby letters of credit to insurance providers, and no associated liability was recorded. At December 31, 2017, the maximum future payment obligations relative to these various guarantees totaled \$195.1, 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. The decrease in the liability was primarily due to warranties expiring in Brazil.

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

	2018	2017
Balance at January 1	\$ 76.7	\$ 101.6
Current period accruals	7.6	11.1
Current period settlements	(34.5)	(37.2)
Currency translation adjustment	(4.8)	5.7
Balance at September 30	<u>\$ 45.0</u>	<u>\$ 81.2</u>

Note 10: Restructuring

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Cost of sales – services	\$ 3.6	\$ 13.5	\$ 4.7	\$ 29.4
Cost of sales – products	3.0	1.2	3.1	2.8
Cost of sales – software	2.1	0.4	2.7	0.1
Selling and administrative expense	28.6	2.7	33.0	13.5
Research, development and engineering expense	1.0	(0.4)	0.9	(1.1)
Total	<u>\$ 38.3</u>	<u>\$ 17.4</u>	<u>\$ 44.4</u>	<u>\$ 44.7</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Severance				
Eurasia Banking	\$ 12.3	\$ 13.6	\$ 16.0	\$ 22.7
Americas Banking	7.5	0.4	7.8	3.8
Retail	6.0	3.1	6.8	12.8
Corporate	12.5	0.3	13.8	5.4
Total severance	<u>\$ 38.3</u>	<u>\$ 17.4</u>	<u>\$ 44.4</u>	<u>\$ 44.7</u>

DN Now

During the second quarter of 2018, The Company began implementing DN Now to deliver greater, more sustainable profitability. The plan is anticipating savings of approximately \$130 from the restructuring actions related to the new customer centric operating model with clear role charters and a global workforce aligned with market demand. Additional near term activities include divesting of non-core businesses, initiating a services modernization plan and investing in solutions. The Company incurred restructuring charges of \$38.3 for the three and nine months ended September 30, 2018 related to DN Now. The Company anticipates additional restructuring costs of approximately \$90 to \$110 through the end of the plan primarily related to severance anticipated for completion of the Company's transformation throughout the three solution segments and corporate.

DN2020 Plan

During 2016, the Company launched a multi-year integration and transformation program, known as DN2020. The DN2020 plan focused on the utilization of cost efficiencies and synergy opportunities that result from the transformational acquisition of Wincor Nixdorf AG (Diebold Nixdorf AG), which aligned employee activities with the Company's goal of delivering cost reductions of approximately \$240 by the year 2020. The Company incurred restructuring charges of \$17.4 for the three months ended September 30, 2017, and \$6.0 and \$44.7 for the nine months ended September 30, 2018 and 2017, respectively, related to DN2020. As of June 30, 2018, the Company suspended this plan and does not anticipate additional DN2020 restructuring costs.

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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 has spanned several years, the Delta Program was designed to hasten the expansion of software and professional services operations and to further enhance profitability in the services business. This program included expansion in the high-end fields of managed services and outsourcing. It also involved capacity adjustments on the hardware side, enabling the Company to respond more effectively to market volatility while maintaining its abilities with innovation. There were no charges during the periods presented. As of the date of the acquisition of Diebold Nixdorf AG, the restructuring accrual balance acquired was \$45.5 and consisted of severance activities. During the third quarter of 2017, the Company recorded a measurement period adjustment of \$8.2 to the acquired restructuring accrual resulting in a final fair value of \$37.3. As of September 30, 2018, the Company concluded this plan and no additional restructuring costs will be incurred.

Strategic Alliance Plan

During 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 incurred \$0.1 restructuring charges during the nine months ended September 30, 2018 related to this plan. There were no charges during 2017. The Company anticipates minimal additional restructuring costs to be incurred through the end of the plan.

The following table summarizes the Company's cumulative total restructuring costs by plan as of September 30, 2018:

	DN Now	DN2020 Plan	Delta Program	Strategic Alliance	Total
Eurasia Banking	\$ 12.3	\$ 51.5	\$ 0.5	\$ 8.2	\$ 72.5
Americas Banking	7.5	13.6	0.2	—	21.3
Retail	6.0	15.6	0.7	—	22.3
Corporate	12.5	15.1	1.8	—	29.4
Total	<u>\$ 38.3</u>	<u>\$ 95.8</u>	<u>\$ 3.2</u>	<u>\$ 8.2</u>	<u>\$ 145.5</u>

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

	2018	2017
Balance at January 1	\$ 54.0	\$ 89.9
Liabilities incurred	44.4	44.7
Liabilities acquired	—	(8.2)
Liabilities paid/settled	(37.9)	(57.8)
Balance at September 30	<u>\$ 60.5</u>	<u>\$ 68.6</u>

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Note 11: Debt

Outstanding debt balances were as follows:

	September 30, 2018	December 31, 2017
Notes payable		
Uncommitted lines of credit	\$ 23.5	\$ 16.2
Term Loan A Facility	—	23.0
Delayed Draw Term Loan A Facility	—	17.2
Term Loan A-1 Facility	16.3	—
Term Loan B Facility - USD	4.8	4.8
Term Loan B Facility - Euro	4.8	5.0
Other	3.3	0.5
	<u>\$ 52.7</u>	<u>\$ 66.7</u>
Long-term debt		
Revolving Facility	\$ 260.0	\$ 75.0
Term Loan A Facility	126.3	178.3
Delayed Draw Term Loan A Facility	160.5	226.6
Term Loan A-1 Facility	633.7	—
Term Loan B Facility - USD	414.3	466.7
Term Loan B Facility - Euro	418.8	489.5
2024 Senior Notes	400.0	400.0
Other	3.0	1.4
	<u>2,416.6</u>	<u>1,837.5</u>
Long-term deferred financing fees	(79.6)	(50.4)
	<u>\$ 2,337.0</u>	<u>\$ 1,787.1</u>

As of September 30, 2018, the Company had various international short-term uncommitted lines of credit with borrowing limits of \$67.6. The weighted-average interest rate on outstanding borrowings on the short-term uncommitted lines of credit as of September 30, 2018 and December 31, 2017 was 5.89 percent and 9.17 percent, respectively, and primarily relate to short-term uncommitted lines of credit in India and Brazil. Short-term uncommitted lines mature in less than one year. The amount available under the short-term uncommitted lines at September 30, 2018 was \$44.1.

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

	Nine Months Ended	
	September 30,	
	2018	2017
Revolving credit facility (repayments) borrowings, net	\$ 185.0	\$ 120.0
Other debt borrowings		
Proceeds from Delayed Draw Term Loan A Facility under the Credit Agreement	\$ —	\$ 250.0
Proceeds Term Loan A-1 Facility under the Credit Agreement	650.0	—
Proceeds from Term Loan B Facility - Euro under the Credit Agreement	—	73.3
International short-term uncommitted lines of credit borrowings	56.0	57.7
	\$ 706.0	\$ 381.0
Other debt repayments		
Payments on Term Loan A Facility under the Credit Agreement	\$ (75.0)	\$ (12.9)
Payments on Delayed Draw Term Loan A Facility under the Credit Agreement	(83.2)	(3.1)
Payments on Term Loan B Facility - USD under the Credit Agreement	(52.3)	(324.9)
Payments on Term Loan B Facility - Euro under the Credit Agreement	(54.9)	(3.4)
Payments on European Investment Bank	—	(63.1)
International short-term uncommitted lines of credit and other repayments	(41.3)	(26.1)
	\$ (306.7)	\$ (433.5)

The Company has a revolving and term loan credit agreement (the Credit Agreement), with a revolving facility of up to \$500.0 (the Revolving Facility) and a secured term loan A facility (the Term Loan A Facility) in the amount of up to \$230.0 as of September 30, 2018. On December 23, 2020, the Term Loan A Facility will mature and the Revolving Facility will automatically terminate. The weighted-average interest rate on outstanding Revolving Facility borrowings as of September 30, 2018 and December 31, 2017 was 4.38 percent and 3.63 percent, respectively, which is variable based on the London Interbank Offered Rate (LIBOR). The amount available under the Revolving Facility as of September 30, 2018 was \$240.0.

The Company has \$400.0 aggregate principal amount of senior notes due 2024 (the 2024 Senior Notes), which are and will be guaranteed by certain of the Company's existing and future domestic subsidiaries and mature in April 2024.

On August 30, 2018, the Company entered into a sixth amendment and incremental amendment (the Sixth Amendment) to its Credit Agreement. The Amendment amended the financial covenants and established a new senior secured incremental term A-1 facility in an aggregate principal amount of \$650.0 (Term Loan A-1 Facility) and makes certain other changes to the Credit Agreement.

The interest rate with respect to the Term Loan A-1 Facility is based on, at the Company's option, either the alternative base rate (ABR) plus 8.25% or a eurocurrency rate plus 9.25%. The Term A-1 Facility will mature in August 2022, the fourth anniversary of the Sixth Amendment. The Term Loan A-1 Facility is subject to a maximum consolidated net leverage ratio, a minimum consolidated interest coverage ratio and certain covenant reset triggers (Covenant Reset Triggers) as described in the Sixth Amendment. Upon the occurrence of any Covenant Reset Trigger, the financial covenant levels will automatically revert to previous financial covenant levels in effect prior to the Sixth Amendment.

A portion of the proceeds of the Term Loan A-1 Facility are restricted to fund the purchase of the remaining shares of Diebold Nixdorf AG not owned by the Company. The proceeds were used to make optional prepayments of existing term A loans in the amount of \$130.0 and to permanently reduce revolving credit commitments in an amount of \$20.0 and to make a purchase pursuant to an offer open to all term B lenders on a pro rata basis for \$100.0 in face principal amount of term B loans. Any remaining proceeds were used for general corporate and working capital purposes.

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

The Credit Agreement financial covenant ratios at September 30, 2018 are as follows:

- a maximum allowable total net debt to trailing twelve month's adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) leverage ratio (Leverage Ratio) of 7.00 to 1.00 as of September 30, 2018 (reducing to 6.50 on June 30, 2020, further reduced to 6.25 on December 31, 2020, further reduced to 6.00 on June 30, 2021 and further reduced to 5.75 on December 31, 2021); and
- a minimum adjusted EBITDA to net interest expense coverage ratio of not less than 1.38 to 1.00 (increasing to 1.50 on December 31, 2020 and further increased to 1.63 on December 31, 2021)

Below is a summary of financing and replacement facilities information:

Financing and Replacement Facilities	Interest Rate Index and Margin	Maturity/Termination Dates	Initial Term (Years)
Credit Agreement facilities			
Revolving Facility	LIBOR + 3.50%	December 2020	5
Term Loan A Facility	LIBOR + 3.50%	December 2020	5
Delayed Draw Term Loan A Facility	LIBOR + 3.50%	December 2020	5
Term Loan A-1 Facility	LIBOR + 9.25%	August 2022	4
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.

The Company's financing agreements contain various financial covenants, including net debt to capitalization, net debt to EBITDA and net interest coverage ratio. Under the Sixth Amendment, the Term Loan A-1 Facility is under a covenant holiday period until the earlier of any covenant reset trigger or April 1, 2019. As of September 30, 2018, the Company was in compliance with the financial and other covenants in its debt agreements.

Note 12: Redeemable Noncontrolling Interests

Changes in the Company's redeemable noncontrolling interests balance are illustrated in the following table:

	2018	2017
Balance at January 1	\$ 492.1	\$ 44.1
Other comprehensive income	(17.2)	25.6
Redemption value adjustment	(12.1)	32.0
Redemption of shares	(308.6)	(2.7)
Reclassification of noncontrolling interest	—	386.7
Balance at September 30	<u>\$ 154.2</u>	<u>\$ 485.7</u>

The Domination and Profit and Loss Transfer Agreement between Diebold Holding Germany Inc. & Co. KGaA (Diebold KGaA), a wholly-owned subsidiary of the Company, and Diebold Nixdorf AG (the DPLTA) became effective by entry in the commercial register at the local court of Paderborn (Germany) on February 14, 2017, at which time, the carrying value of the noncontrolling

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interest related to the Diebold Nixdorf AG ordinary shares the Company did not acquire of \$386.7 and 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. As of September 30, 2018 and December 31, 2017, the balance related to the redeemable noncontrolling interest related to the Diebold Nixdorf AG ordinary shares the Company did not acquire was \$136.4 and \$454.6, respectively. The change is primarily related to the redemption of Diebold Nixdorf AG 4.8 ordinary shares in the three and nine months ended of 2018. The Company increased its ownership stake in Diebold Nixdorf AG to 27.7 ordinary shares, or approximately 93 percent, as of September 30, 2018, which has allowed the Company to initiate squeeze-out procedures to acquire the remaining outstanding shares.

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 €2.82 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. A portion of the proceeds of the Term Loan A-1 Facility are restricted to fund the purchase of the remaining shares of Diebold Nixdorf AG not owned by the Company. The Company classified the proceeds set aside to purchase the remaining shares in restricted cash in the condensed consolidated balance sheets.

The remaining balance relates to certain noncontrolling interests with redemption features, that include put rights that are not within the control of the issuer, which are considered redeemable noncontrolling interests. The redeemable noncontrolling interests were recorded at fair value as by applying the income approach using unobservable inputs for projected cash flows, including but not limited, to net sales and operating profit, and a discount rate, which are considered Level 3 inputs. The results of operations for these redeemable noncontrolling interests were not significant. The ultimate amount and timing of any future cash payments related to the put rights are uncertain.

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Note 13: Equity

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Diebold Nixdorf, Incorporated shareholders' equity				
Balance at beginning of period	\$ 220.4	\$ 583.2	\$ 464.6	\$ 588.7
Comprehensive income (loss) attributable to Diebold Nixdorf, Incorporated	(230.4)	(23.1)	(517.9)	15.2
Common shares	—	—	0.9	0.7
Additional capital ⁽¹⁾	2.7	15.4	22.1	(9.3)
Treasury shares	(0.1)	(0.3)	(3.0)	(4.8)
Dividends paid	—	(7.6)	(7.7)	(22.9)
Adoption of accounting standards	—	—	33.6	—
Balance at end of period	\$ (7.4)	\$ 567.6	\$ (7.4)	\$ 567.6
Noncontrolling interests				
Balance at beginning of period	\$ 34.1	\$ 37.5	\$ 36.8	\$ 433.4
Comprehensive income (loss) attributable to noncontrolling interests, net	(7.4)	8.4	3.5	23.7
Reclassification to redeemable noncontrolling interest	—	—	—	(386.7)
Reclassification of guaranteed dividend to accrued liabilities	5.8	(6.4)	(2.5)	(18.1)
Distributions to noncontrolling interest holders	—	—	(0.5)	(12.8)
Liquidation of noncontrolling interests	(2.4)	—	(7.2)	—
Balance at end of period	\$ 30.1	\$ 39.5	\$ 30.1	\$ 39.5

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

Note 14: Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in the Company's AOCI, net of tax, by component for the three months ended September 30, 2018:

	Translation	Foreign Currency Hedges	Interest Rate Hedges	Pension and Other Post- retirement Benefits	Other	Accumulated Other Comprehensive Income (Loss)
Balance at June 30, 2018	\$ (187.5)	\$ (0.2)	\$ 13.3	\$ (99.2)	\$ 0.1	\$ (273.5)
Other comprehensive income (loss) before reclassifications ⁽¹⁾	(18.6)	2.1	(0.5)	—	—	(17.0)
Amounts reclassified from AOCI	—	—	1.0	(2.0)	—	(1.0)
Net current-period other comprehensive income (loss) ⁽¹⁾	(18.6)	2.1	0.5	(2.0)	—	(18.0)
Balance at September 30, 2018	\$ (206.1)	\$ 1.9	\$ 13.8	\$ (101.2)	\$ 0.1	\$ (291.5)

⁽¹⁾ Other comprehensive income (loss) before reclassifications within the translation component excludes \$(1.1) of translation attributable to noncontrolling interests.

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

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

⁽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 nine months ended September 30, 2018:

	Translation	Foreign Currency Hedges	Interest Rate Hedges	Pension and Other Post- retirement Benefits	Other	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2018	\$ (116.8)	\$ (5.1)	\$ 8.1	\$ (82.6)	\$ 0.1	\$ (196.3)
Adoption of accounting standard ⁽¹⁾	(9.1)	(1.0)	1.3	(20.2)	—	(29.0)
Other comprehensive income (loss) before reclassifications ⁽²⁾	(80.2)	8.0	2.3	—	—	(69.9)
Amounts reclassified from AOCI	—	—	2.1	1.6	—	3.7
Net current-period other comprehensive income (loss) ⁽²⁾	(89.3)	7.0	5.7	(18.6)	—	(95.2)
Balance at September 30, 2018	<u>\$ (206.1)</u>	<u>\$ 1.9</u>	<u>\$ 13.8</u>	<u>\$ (101.2)</u>	<u>\$ 0.1</u>	<u>\$ (291.5)</u>

⁽¹⁾Stranded tax effects reclassified from AOCI to retained earnings from the adoption of ASU 2018-02.

⁽²⁾Other comprehensive income (loss) before reclassifications within the translation component excludes \$(2.6) of translation attributable to noncontrolling interests.

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

	Translation	Foreign Currency Hedges	Interest Rate Hedges	Pension and Other Post- retirement Benefits	Other	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2017	\$ (251.2)	\$ (5.7)	\$ 4.6	\$ (89.3)	\$ 0.3	\$ (341.3)
Other comprehensive income (loss) before reclassifications ⁽¹⁾	141.6	1.0	1.8	—	—	144.4
Amounts reclassified from AOCI	—	—	(0.4)	(2.0)	—	(2.4)
Net current-period other comprehensive income (loss)	141.6	1.0	1.4	(2.0)	—	142.0
Balance at September 30, 2017	<u>\$ (109.6)</u>	<u>\$ (4.7)</u>	<u>\$ 6.0</u>	<u>\$ (91.3)</u>	<u>\$ 0.3</u>	<u>\$ (199.3)</u>

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

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

	Three Months Ended		Nine Months Ended		Affected Line Item in the Statement of Operations
	2018	2017	2018	2017	
Interest rate hedges	\$ 1.0	\$ —	\$ 2.1	\$ (0.4)	Interest expense
Pension and post-retirement benefits:					
Net actuarial gain (loss) amortization (net of tax of \$1.0, \$(0.5), \$0.8 and \$0.5, respectively)	(2.0)	1.0	1.6	(2.0)	(1)
Total reclassifications for the period	\$ (1.0)	\$ 1.0	\$ 3.7	\$ (2.4)	

(1) Pension and other post-retirement benefits AOCI components are included in the computation of net periodic benefit cost (refer to note 16).

Note 15: Acquisitions and Divestitures

In the first quarter of 2018, the Company acquired the remaining portion of its noncontrolling interest in its China operations for \$5.8 in the aggregate.

During 2017, the Company acquired all the capital stock of Moxx and certain assets and liabilities of Visio for \$5.6 in the aggregate, net of cash acquired, which are included in the Retail and Eurasia Banking segments, respectively. During the third quarter of 2017, the Company acquired Moxx, which is a Netherlands based managed services company that provides managed mobility solutions for enterprises that use a large number of mobile assets in their business operations. In the second quarter of 2017, the Company acquired Visio, which is a design company based in Germany.

During 2017, the Company divested its legacy Diebold business in the United Kingdom (U.K.) to Cennox Group for \$5.0, fulfilling the requirements previously set forth by the U.K. Competition and Markets Authority (CMA). The divestiture closed on June 30, 2017. As part of the Company's routine efforts to evaluate its business operations, during 2017, the Company divested its electronic security (ES) businesses located in Mexico and Chile in the second and third quarters of 2017, respectively. The Company recorded a pre-tax gain of \$2.2 related to these transactions. The combined net sales of the divestitures represented less than one percent of total net sales of the Company for 2017.

Note 16: 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.

The Company has non-qualified pension plans to provide supplemental retirement benefits to certain officers, which were also 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.

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The Company also has defined benefit plans in Germany and Switzerland, among others. 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.

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

	Pension Benefits				Other Benefits	
	U.S.Plans		Non-U.S. Plans			
	2018	2017	2018	2017	2018	2017
Components of net periodic benefit cost						
Service cost	\$ 1.0	\$ 1.0	\$ 2.8	\$ 2.6	\$ —	\$ —
Interest cost	5.2	5.7	1.5	2.2	0.1	0.1
Expected return on plan assets	(6.2)	(6.5)	(2.6)	(2.1)	—	—
Recognized net actuarial loss	1.7	1.5	(0.2)	(0.1)	—	—
Net periodic pension benefit cost	\$ 1.7	\$ 1.7	\$ 1.5	\$ 2.6	\$ 0.1	\$ 0.1

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

	Pension Benefits				Other Benefits	
	U.S.Plans		Non-U.S. Plans			
	2018	2017	2018	2017	2018	2017
Components of net periodic benefit cost						
Service cost	\$ 2.9	\$ 3.0	\$ 8.4	\$ 7.8	\$ —	\$ —
Interest cost	15.5	17.1	4.7	6.6	0.3	0.3
Expected return on plan assets	(18.5)	(19.5)	(8.0)	(6.3)	—	—
Recognized net actuarial loss	5.0	4.5	(0.5)	(0.3)	—	—
Net periodic pension benefit cost	\$ 4.9	\$ 5.1	\$ 4.6	\$ 7.8	\$ 0.3	\$ 0.3

Contributions

There have been no significant changes to the expected 2018 plan year contribution amounts previously disclosed. For the nine months ended September 30, 2018 and 2017, contributions of \$29.2 and \$20.2, respectively, were made to the qualified and non-qualified pension plans.

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.

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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		Nine Months Ended	
		September 30,		September 30,	
		2018	2017	2018	2017
Non-designated hedges and interest rate swaps	Interest expense	\$ (0.7)	\$ (1.5)	\$ (1.8)	\$ (3.6)
Foreign exchange forward contracts and cash flow hedges	Net sales	(0.4)	—	2.4	—
Foreign exchange forward contracts and cash flow hedges	Cost of sales	0.7	—	0.6	—
Foreign exchange forward contracts and cash flow hedges	Foreign exchange gain (loss), net	3.5	2.3	4.0	6.3
Total		\$ 3.1	\$ 0.8	\$ 5.2	\$ 2.7

As a result of the adoption of ASU 2017-12, \$(0.4) and \$2.4 was included in net sales for the three and nine months ended September 30, 2018, respectively and \$(0.7) and \$(0.6) in cost of sales for the three and nine months ended September 30, 2018, respectively, which would have been included in foreign exchange gain (loss), net in the prior period.

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 was \$2.4 and \$2.0 as of September 30, 2018 and December 31, 2017, respectively. The net loss recognized in AOCI on net investment hedge derivative instruments was \$2.7 and \$2.7 in the three months ended September 30, 2018 and 2017, respectively. The net loss recognized in AOCI on net investment hedge derivative instruments was \$13.6 and \$4.1 in the nine months ended September 30, 2018 and 2017, respectively.

On August 15, 2016, the Company designated its €350.0 euro-denominated Term Loan B Facility as a net investment hedge of its investments in certain subsidiaries that use the euro as their functional currency in order to reduce volatility in stockholders' equity caused by the changes in foreign currency exchange rates of the euro with respect to the U.S. dollar. Effectiveness is assessed at least quarterly by confirming that the respective designated net investments' net equity balances at the beginning of any period collectively continues to equal or exceed the balance outstanding on the Company's euro-denominated term loan. Changes in value that are deemed effective are accumulated in AOCI. When the respective net investments are sold or substantially liquidated, the balance of the cumulative translation adjustment in AOCI will be reclassified into earnings. The net gain (loss) recognized in AOCI on net investment hedge foreign currency borrowings was \$0.5 and \$(12.0) for the three months ended September 30, 2018 and 2017, respectively. The net gain (loss) recognized in AOCI on net investment hedge foreign currency borrowings was \$4.9 and \$(37.8) for the nine months September 30, 2018 and 2017, respectively. 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 11. On September 21, 2017, the Company de-designated €101.1 of its euro-denominated Term Loan B Facility. On June 21, 2018, the Company re-designated €30.2 of its euro-denominated Term Loan B Facility. On July 23, 2018, the Company de-designated €180.2 of its euro-denominated Term Loan B Facility.

Non-Designated Hedges A substantial portion of the Company's operations and revenues are international. As a result, changes in foreign exchange rates can create substantial foreign exchange gains and losses from the revaluation of non-functional currency monetary assets and liabilities. The Company's policy allows the use of foreign exchange forward contracts with maturities of up

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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 \$(3.3) and \$(4.9) as of September 30, 2018 and December 31, 2017, 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. The Company has certain subsidiaries with the euro (EUR) as its functional currency that are primarily exposed to the U.S. dollar (USD) and Great Britain pound sterling (GBP). This risk is considerably reduced by natural hedging (i.e., management of sales and purchases by choice location and suppliers). For a portion of the remaining 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 within the same income statement line item as the earnings effect of the hedged transaction. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. As of September 30, 2018, 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)	1	2.8	EUR	3.5	USD
Currency forward agreements (EUR-GBP)	13	31.0	GBP	34.7	EUR

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. The Company has 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. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. The fair value of the Company's interest rate contracts was \$14.3 and \$9.8 as of September 30, 2018 and December 31, 2017, respectively.

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 a minimal amount will be reclassified as a decrease to interest expense over the next year.

The Company has an interest rate 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. This interest rate swap mitigated the interest rate risk associated with the European Investment Bank debt, which was paid in full during 2017. For this interest rate swap, the three-month EURIBOR is received and a fixed interest of 2.97 percent is paid. The fair value, which is measured at market prices, as of September 30, 2018 and December 31, 2017 was \$(5.4) and \$(5.5), respectively. The interest rate contract is not designated and changes in the fair value of non-designated interest rate swap agreements are recognized in miscellaneous, net in the condensed consolidated statements of operations. The Company recognized \$0.5 and \$1.5 in interest expense relating to the interest rate swap for the three and nine months ended September 30, 2018, respectively.

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

Note 18: Fair Value of Assets and Liabilities

Assets and Liabilities Recorded at Fair Value

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

		September 30, 2018			December 31, 2017		
		Fair Value Measurements Using			Fair Value Measurements Using		
		Fair Value	Level 1	Level 2	Fair Value	Level 1	Level 2
Classification on condensed consolidated Balance Sheets							
Assets							
Short-term investments							
Certificates of deposit	Short-term investments	\$ 5.0	\$ 5.0	\$ —	\$ 81.4	\$ 81.4	\$ —
Assets held in rabbi trusts	Securities and other investments	7.0	7.0	—	9.4	9.4	—
Foreign exchange forward contracts	Other current assets	4.3	—	4.3	6.7	—	6.7
Interest rate swaps	Other current assets	5.4	—	5.4	2.2	—	2.2

Interest rate swaps	Securities and other investments	8.9	—	8.9	7.6	—	7.6
Total		<u>\$ 30.6</u>	<u>\$ 12.0</u>	<u>\$ 18.6</u>	<u>\$ 107.3</u>	<u>\$ 90.8</u>	<u>\$ 16.5</u>
Liabilities							
Foreign exchange forward contracts	Other current liabilities	\$ 8.1	\$ —	\$ 8.1	\$ 10.2	\$ —	\$ 10.2
Interest rate swaps	Other current liabilities	5.4	—	5.4	5.5	—	5.5
Deferred compensation	Other liabilities	7.0	7.0	—	9.4	9.4	—
Total		<u>\$ 20.5</u>	<u>\$ 7.0</u>	<u>\$ 13.5</u>	<u>\$ 25.1</u>	<u>\$ 9.4</u>	<u>\$ 15.7</u>

The Company uses the end of period when determining the timing of transfers between levels. During each of the nine months ended September 30, 2018 and 2017, there were no transfers between levels.

The carrying amount of the Company's debt instruments approximates fair value except for the 2024 Senior Notes. The fair value and carrying value of the 2024 Senior Notes are summarized as follows:

	September 30, 2018		December 31, 2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value
2024 Senior Notes	286.5	400.0	425.0	400.0

Refer to note 11 for further details surrounding the Company's long-term debt as of September 30, 2018 compared to December 31, 2017. Additionally, the Company remeasures certain assets to fair value, using Level 3 measurements, as a result of the occurrence of triggering events. In the third and second quarter of 2018, in connection with certain triggering events, the Company performed an impairment test of goodwill for all of its reporting units, see note 8 further details. Besides goodwill from certain reporting units noted above, there were no significant assets or liabilities that were remeasured at fair value on a non-recurring basis during the period presented.

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Note 19: Commitments and Contingencies

Contractual Obligation

At September 30, 2018, the Company had purchase commitments due within one year totaling \$0.9 for materials and services through contract manufacturing agreements at negotiated prices. The Company guarantees a fixed cost of certain products used in production to its China strategic partners.

Indirect Tax Contingencies

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

At September 30, 2018, 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 was 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 consolidated financial statements. At September 30, 2018 and December 31, 2017, the Company had accrual related to the Brazil indirect tax matter of \$4.0 and \$4.9, respectively.

The Company has challenged the customs rulings in Thailand seeking to retroactively collect customs duties on previous imports of ATMs. Management believes that the customs authority's attempt to retroactively assess customs duties is in contravention of World Trade Organization agreements and, accordingly, challenged the rulings. In the third quarter of 2015, the Company received a prospective ruling from the U.S. Customs Border Protection which is consistent with the Company's interpretation of the treaty in question. In August 2017, the Supreme Court of Thailand ruled in the Company's favor, finding that Customs' attempt to collect duties for importation of ATMs is improper. In addition, in August 2016 and February 2017, the tax court of appeals rendered decisions in favor of the Company related to more than half of the assessments at issue. The surviving matters remain at various stages of the appeals process and the Company will use the Supreme Court's decision in support of its position in those matters. Management remains confident that the Company has a valid legal position in these appeals. Accordingly, the Company does not have any amount accrued for this contingency.

A loss contingency is reasonably possible if it has a more than remote but less than probable chance of occurring. Although management believes the Company has valid defenses with respect to its indirect tax positions, it is reasonably possible that a loss could occur in excess of the estimated accrual. The Company estimated the aggregate risk at September 30, 2018 to be up to \$125.8

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for its material indirect tax matters, of which \$21.1 and \$27.0, respectively, primarily 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 September 30, 2018, 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 consolidated financial statements would not be materially affected by the outcome of these legal proceedings, commitments or asserted claims.

In addition to these normal course of business litigation matters, the Company was a party to the proceedings described below:

Diebold KGaA is a party to appraisal proceedings (Spruchverfahren) relating to the DPLTA entered into by Diebold KGaA and Diebold Nixdorf AG on September 26, 2016 pending at the District Court (Landgericht) of Dortmund (Germany). The appraisal proceedings were filed by minority shareholders of Diebold Nixdorf AG challenging the adequacy of both, the cash exit compensation of €55.02 per Diebold Nixdorf AG share and the annual recurring compensation of €2.82 per Diebold Nixdorf AG share offered in connection with the DPLTA. A ruling by the court would apply to all Diebold Nixdorf AG shares outstanding at the time the DPLTA became effective. While the Company believes that the compensation offered in connection with the DPLTA was fair and the claims lack merit, this matter is still at a preliminary stage and the outcome is uncertain. As a result, the Company is unable to reasonably estimate the possible loss or range of losses, if any, arising from this litigation.

Note 20: Segment Information

The Company's accounting policies derive segment results that are the same as those the Chief Operating Decision Maker (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's previous reportable operating segments included the LoB: Services, Systems, and Software. The Company began to reorganize its management team reporting to the CODM and assess its new operating model during the first half of 2018. The results of re-evaluating the LoB operating model highlighted the need to transform the Company's operating model to Banking and Retail. The renewed focus on the customer experience has led the Company to reorganize its operating model. The LoBs will continue to develop solutions, but will operate as cost centers focused on designing and delivering innovative and customer-driven products. The realignment to Banking and Retail enables quicker decision making, reduces complexity, makes better use of talent and promotes the best possible experience for the Company's customers. Beginning with the second quarter of 2018, the Company's reportable operating segments are based on the following solutions: Eurasia Banking, Americas Banking and Retail. As a result, the Company reclassified comparative periods for consistency.

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, managed at the corporate level; that are not routinely used in the management of the segments; or information that is impractical to allocate. 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 acquisition and divestiture expenses, along with other income (expenses). Segment operating profit reconciles to consolidated income (loss) before income taxes by deducting corporate costs and other income or expense items that are not attributed to the segments. Corporate charges not allocated to segments include headquarter-based costs associated with procurement, human resources, compensation and benefits, finance and accounting, global development/engineering, global strategy/mergers and acquisitions, global IT, tax, treasury and legal. 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.

For additional information related to the Company's revenue sources, refer to note 2. In addition to the considerations mentioned above regarding the CODM, the Company has assessed several factors in disaggregating revenue which include the information

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disclosed in this report and other disaggregated revenue information provided in investor presentations and board of director presentations.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net sales summary by segment				
Eurasia Banking	\$ 434.3	\$ 461.1	\$ 1,306.9	\$ 1,372.6
Americas Banking	382.5	376.7	1,086.8	1,128.7
Retail	302.2	284.9	895.1	858.1
Total revenue	\$ 1,119.0	\$ 1,122.7	\$ 3,288.8	\$ 3,359.4
Intersegment revenue				
Eurasia Banking	\$ 35.2	\$ 24.3	\$ 88.2	\$ 81.3
Americas Banking	2.6	5.1	11.6	22.4
Total intersegment revenue	\$ 37.8	\$ 29.4	\$ 99.8	\$ 103.7
Segment operating profit				
Eurasia Banking	\$ 43.2	\$ 40.0	\$ 79.8	\$ 91.0
Americas Banking	4.0	14.5	10.4	48.0
Retail	19.2	27.3	36.5	71.3
Total segment operating profit	66.4	81.8	126.7	210.3
Corporate charges not allocated to segments ⁽¹⁾	(10.0)	(0.3)	(47.4)	(48.7)
Restructuring charges	(38.3)	(17.4)	(44.4)	(44.7)
Net non-routine expense	(152.0)	(72.7)	(322.5)	(206.2)
	(200.3)	(90.4)	(414.3)	(299.6)
Operating profit (loss)	(133.9)	(8.6)	(287.6)	(89.3)
Other income (expense)	(39.0)	(21.7)	(93.4)	(77.7)
Income (loss) before taxes	\$ (172.9)	\$ (30.3)	\$ (381.0)	\$ (167.0)

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

Net non-routine expense consists of items that the Company has determined are non-routine in nature and not allocated to the reportable operating segments. Net non-routine expense of \$152.0 for the three months ended September 30, 2018 was primarily due to the goodwill impairment charge of \$109.3, acquisition integration expenses of \$10.3 primarily within selling and administrative expense and purchase accounting pre-tax charges for amortization of acquired intangibles of \$28.2. Net non-routine expense of \$322.5 for the nine months ended September 30, 2018 was due to the goodwill impairment charge of \$199.3 and acquisition integration expenses of \$40.0, primarily within selling and administrative expense, and purchase accounting pre-tax charges for amortization of acquired intangibles of \$88.7.

Net non-routine expense of \$72.7 for the three months ended September 30, 2017 was primarily due to acquisition and divestiture related costs inclusive of integration expenses of \$19.8 primarily within selling and administrative expense and purchase accounting pretax charges, which included deferred revenue of \$9.7 and \$34.9 in amortization of acquired intangibles. Net non-routine expense of \$206.2 for the nine months ended September 30, 2017 was primarily due to legal, acquisition and divestiture related costs of \$16.1 inclusive of the mark-to-market impact on Diebold Nixdorf AG stock options and integration expenses of \$54.8 primarily

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within selling and administrative expense and purchase accounting pretax charges, which included deferred revenue of \$30.4 and \$99.5 in amortization of acquired intangibles.

Note 21: Supplemental Guarantor Information

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

- (i) Diebold Nixdorf, Incorporated (the Parent Company), the issuer of the guaranteed obligations;
- (ii) Guarantor subsidiaries, on a combined basis, as specified in the indenture governing the Company's obligations under the 2024 Senior Notes;
- (iii) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between the Parent Company, the guarantor subsidiaries and the non-guarantor subsidiaries, (b) eliminate the investments in its subsidiaries, and (c) record consolidating entries; and
- (iv) Diebold Nixdorf, Incorporated and Subsidiaries on a consolidated basis.

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

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

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Condensed Consolidating Balance Sheet
As of September 30, 2018

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications/ Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	\$ 10.3	\$ 3.9	\$ 290.2	\$ —	\$ 304.4
Restricted cash	—	—	139.3	—	139.3
Short-term investments	—	—	5.0	—	5.0
Trade receivables, net	136.7	0.2	681.2	—	818.1
Intercompany receivables	204.1	605.0	399.2	(1,208.3)	—
Inventories	221.4	—	625.1	—	846.5
Prepaid, income taxes and other current assets	32.8	21.3	299.6	(25.4)	328.3
Total current assets	605.3	630.4	2,439.6	(1,233.7)	2,441.6
Securities and other investments	24.1	—	—	—	24.1
Property, plant and equipment, net	79.9	1.0	239.9	—	320.8
Goodwill	55.5	—	827.8	—	883.3
Deferred income taxes	125.0	2.4	128.8	—	256.2
Intangible assets, net	33.6	—	638.0	—	671.6
Investment in subsidiary	2,828.4	—	—	(2,828.4)	—
Other assets	34.1	0.4	82.5	(16.8)	100.2
Total assets	\$ 3,785.9	\$ 634.2	\$ 4,356.6	\$ (4,078.9)	\$ 4,697.8
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY					
Current liabilities					
Notes payable	\$ 35.9	\$ 0.1	\$ 16.7	\$ —	\$ 52.7
Accounts payable	117.2	—	437.5	—	554.7
Intercompany payable	1,004.0	23.9	180.4	(1,208.3)	—
Deferred revenue	87.1	0.1	278.1	—	365.3
Payroll and other benefits liabilities	24.6	1.1	148.1	—	173.8
Other current liabilities	142.1	1.0	314.2	(24.2)	433.1
Total current liabilities	1,410.9	26.2	1,375.0	(1,232.5)	1,579.6
Long-term debt	2,179.1	—	157.9	—	2,337.0
Other long-term liabilities	203.3	—	419.0	(18.0)	604.3
Commitments and contingencies					
Redeemable noncontrolling interests	—	—	154.2	—	154.2
Total Diebold Nixdorf, Incorporated shareholders' equity	(7.4)	608.0	2,220.4	(2,828.4)	(7.4)
Noncontrolling interests	—	—	30.1	—	30.1
Total liabilities, redeemable noncontrolling interests and equity	\$ 3,785.9	\$ 634.2	\$ 4,356.6	\$ (4,078.9)	\$ 4,697.8

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Condensed Consolidating Balance Sheet
As of December 31, 2017

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications/ Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	\$ 58.5	\$ 2.3	\$ 474.4	\$ —	\$ 535.2
Restricted cash	—	—	8.0	—	8.0
Short-term investments	—	—	81.4	—	81.4
Trade receivables, net	140.7	1.4	688.0	—	830.1
Intercompany receivables	735.7	907.8	2,104.1	(3,747.6)	—
Inventories	159.5	—	569.4	—	728.9
Prepaid, income taxes and other current assets	35.4	17.0	286.1	(21.8)	316.7
Total current assets	1,129.8	928.5	4,211.4	(3,769.4)	2,500.3
Securities and other investments	96.8	—	—	—	96.8
Property, plant and equipment, net	89.6	2.1	272.8	—	364.5
Goodwill	55.5	—	1,061.6	—	1,117.1
Deferred income taxes	150.8	8.0	135.0	—	293.8
Intangible assets, net	37.5	—	736.3	—	773.8
Investment in subsidiary	2,518.5	—	—	(2,518.5)	—
Other assets	47.2	1.1	74.0	(26.5)	95.8
Total assets	\$ 4,125.7	\$ 939.7	\$ 6,491.1	\$ (6,314.4)	\$ 5,242.1
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY					
Current liabilities					
Notes payable	\$ 49.9	\$ 0.3	\$ 16.5	\$ —	\$ 66.7
Accounts payable	88.1	0.1	474.0	—	562.2
Intercompany payable	1,337.1	192.2	2,218.3	(3,747.6)	—
Deferred revenue	115.8	0.6	321.1	—	437.5
Payroll and other benefits liabilities	26.1	2.2	170.6	—	198.9
Other current liabilities	112.5	2.8	437.9	(21.8)	531.4
Total current liabilities	1,729.5	198.2	3,638.4	(3,769.4)	1,796.7
Long-term debt	1,710.6	0.1	76.4	—	1,787.1
Other long-term liabilities	221.0	—	470.3	(26.5)	664.8
Commitments and contingencies					
Redeemable noncontrolling interests	—	—	492.1	—	492.1
Total Diebold Nixdorf, Incorporated shareholders' equity	464.6	741.4	1,777.1	(2,518.5)	464.6
Noncontrolling interests	—	—	36.8	—	36.8
Total liabilities, redeemable noncontrolling interests and equity	\$ 4,125.7	\$ 939.7	\$ 6,491.1	\$ (6,314.4)	\$ 5,242.1

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Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
Three Months Ended September 30, 2018

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications/ Eliminations	Consolidated
Net sales	\$ 633.0	\$ 0.1	\$ 485.9	\$ —	\$ 1,119.0
Cost of sales	591.8	1.1	297.8	—	890.7
Gross profit (loss)	41.2	(1.0)	188.1	—	228.3
Selling and administrative expense	69.6	1.2	145.4	—	216.2
Research, development and engineering expense	0.4	10.8	25.4	—	36.6
Impairment of assets	—	—	109.3	—	109.3
(Gain) loss on sale of assets, net	0.1	—	—	—	0.1
	70.1	12.0	280.1	—	362.2
Operating profit (loss)	(28.9)	(13.0)	(92.0)	—	(133.9)
Other income (expense)					
Interest income	0.5	—	1.7	—	2.2
Interest expense	(41.0)	—	(4.2)	—	(45.2)
Foreign exchange gain (loss), net	2.8	(0.1)	(0.5)	—	2.2
Equity in earnings of subsidiaries	(62.8)	—	—	62.8	—
Miscellaneous, net	0.3	0.3	1.2	—	1.8
Income (loss) before taxes	(129.1)	(12.8)	(93.8)	62.8	(172.9)
Income tax expense (benefit)	83.5	12.6	(50.3)	—	45.8
Net income (loss)	(212.6)	(25.4)	(43.5)	62.8	(218.7)
Net income (loss) attributable to noncontrolling interests	—	—	(6.1)	—	(6.1)
Net income (loss) attributable to Diebold Nixdorf, Incorporated	\$ (212.6)	\$ (25.4)	\$ (37.4)	\$ 62.8	\$ (212.6)
Comprehensive income (loss)	\$ (230.4)	\$ (25.4)	\$ (59.2)	\$ 77.2	\$ (237.8)
Less: comprehensive income (loss) attributable to noncontrolling interests	—	—	(7.4)	—	(7.4)
Comprehensive income (loss) attributable to Diebold Nixdorf, Incorporated	\$ (230.4)	\$ (25.4)	\$ (51.8)	\$ 77.2	\$ (230.4)

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

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications/ Eliminations	Consolidated
Net sales	\$ 289.1	\$ 0.6	\$ 833.0	\$ —	\$ 1,122.7
Cost of sales	234.0	1.8	646.9	—	882.7
Gross profit (loss)	55.1	(1.2)	186.1	—	240.0
Selling and administrative expense	65.2	2.7	140.9	—	208.8
Research, development and engineering expense	1.0	10.8	22.4	—	34.2
(Gain) loss on sale of assets, net	(0.1)	0.1	5.6	—	5.6
	66.1	13.6	168.9	—	248.6
Operating profit (loss)	(11.0)	(14.8)	17.2	—	(8.6)
Other income (expense)					
Interest income	0.6	0.1	3.6	—	4.3
Interest expense	(25.7)	—	(2.0)	—	(27.7)
Foreign exchange gain (loss), net	0.5	—	2.7	—	3.2
Equity in earnings of subsidiaries	11.0	—	—	(11.0)	—
Miscellaneous, net	1.7	1.8	(4.7)	(0.3)	(1.5)
Income (loss) before taxes	(22.9)	(12.9)	16.8	(11.3)	(30.3)
Income tax expense (benefit)	13.1	2.6	(16.6)	—	(0.9)
Net income (loss)	(36.0)	(15.5)	33.4	(11.3)	(29.4)
Net income (loss) attributable to noncontrolling interests	—	—	6.6	—	6.6
Net income (loss) attributable to Diebold Nixdorf, Incorporated	\$ (36.0)	\$ (15.5)	\$ 26.8	\$ (11.3)	\$ (36.0)
Comprehensive income (loss)	\$ (23.1)	\$ (15.5)	\$ 56.3	\$ (32.4)	\$ (14.7)
Less: comprehensive income (loss) attributable to noncontrolling interests	—	—	8.4	—	8.4
Comprehensive income (loss) attributable to Diebold Nixdorf, Incorporated	\$ (23.1)	\$ (15.5)	\$ 47.9	\$ (32.4)	\$ (23.1)

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Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
Nine Months Ended September 30, 2018

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications/ Eliminations	Consolidated
Net sales	\$ 1,277.9	\$ 0.4	\$ 2,010.5	\$ —	\$ 3,288.8
Cost of sales	1,152.9	1.7	1,446.5	—	2,601.1
Gross profit (loss)	125.0	(1.3)	564.0	—	687.7
Selling and administrative expense	220.5	3.8	439.6	—	663.9
Research, development and engineering expense	2.1	33.1	83.7	—	118.9
Impairment of assets	—	—	199.3	—	199.3
(Gain) loss on sale of assets, net	(3.4)	—	(3.4)	—	(6.8)
	219.2	36.9	719.2	—	975.3
Operating profit (loss)	(94.2)	(38.2)	(155.2)	—	(287.6)
Other income (expense)					
Interest income	1.1	0.1	6.4	—	7.6
Interest expense	(91.9)	—	(7.7)	—	(99.6)
Foreign exchange gain (loss), net	(5.5)	(0.1)	3.3	—	(2.3)
Equity in earnings of subsidiaries	(191.1)	—	—	191.1	—
Miscellaneous, net	(0.5)	0.9	0.5	—	0.9
Income (loss) before taxes	(382.1)	(37.3)	(152.7)	191.1	(381.0)
Income tax expense (benefit)	41.1	(5.6)	0.1	—	35.6
Net income (loss)	(423.2)	(31.7)	(152.8)	191.1	(416.6)
Net income (loss) attributable to noncontrolling interests	—	—	6.6	—	6.6
Net income (loss) attributable to Diebold Nixdorf, Incorporated	\$ (423.2)	\$ (31.7)	\$ (159.4)	\$ 191.1	\$ (423.2)
Comprehensive income (loss)	\$ (517.9)	\$ (31.7)	\$ (247.1)	\$ 282.3	\$ (514.4)
Less: comprehensive income (loss) attributable to noncontrolling interests	—	—	3.5	—	3.5
Comprehensive income (loss) attributable to Diebold Nixdorf, Incorporated	\$ (517.9)	\$ (31.7)	\$ (250.6)	\$ 282.3	\$ (517.9)

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

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications/ Eliminations	Consolidated
Net sales	\$ 831.0	\$ 6.9	\$ 2,526.6	\$ (5.1)	\$ 3,359.4
Cost of sales	670.3	10.5	1,965.4	(5.1)	2,641.1
Gross profit (loss)	160.7	(3.6)	561.2	—	718.3
Selling and administrative expense	211.5	7.7	473.4	—	692.6
Research, development and engineering expense	1.8	30.5	82.1	—	114.4
Impairment of assets	3.1	—	—	—	3.1
(Gain) loss on sale of assets, net	—	0.1	(2.6)	—	(2.5)
	216.4	38.3	552.9	—	807.6
Operating profit (loss)	(55.7)	(41.9)	8.3	—	(89.3)
Other income (expense)					
Interest income	1.7	0.2	13.9	—	15.8
Interest expense	(84.4)	(0.1)	(6.2)	—	(90.7)
Foreign exchange gain (loss), net	3.1	0.1	(7.7)	—	(4.5)
Equity in earnings of subsidiaries	(42.3)	—	—	42.3	—
Miscellaneous, net	9.0	5.9	(12.0)	(1.2)	1.7
Income (loss) before taxes	(168.6)	(35.8)	(3.7)	41.1	(167.0)
Income tax expense (benefit)	(41.9)	(17.7)	(0.9)	—	(60.5)
Net income (loss)	(126.7)	(18.1)	(2.8)	41.1	(106.5)
Net income (loss) attributable to noncontrolling interests	—	—	20.2	—	20.2
Net income (loss) attributable to Diebold Nixdorf, Incorporated	\$ (126.7)	\$ (18.1)	\$ (23.0)	\$ 41.1	\$ (126.7)
Comprehensive income (loss)	\$ 15.2	\$ (18.1)	\$ 179.0	\$ (137.2)	\$ 38.9
Less: comprehensive income (loss) attributable to noncontrolling interests	—	—	23.7	—	23.7
Comprehensive income (loss) attributable to Diebold Nixdorf, Incorporated	\$ 15.2	\$ (18.1)	\$ 155.3	\$ (137.2)	\$ 15.2

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Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2018

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications/ Eliminations	Consolidated
Net cash provided (used) by operating activities	\$ (108.5)	\$ (24.4)	\$ (239.2)	\$ —	\$ (372.1)
Cash flow from investing activities					
Capital expenditures	(4.7)	(0.1)	(35.7)	—	(40.5)
Payments for acquisitions	—	—	(5.9)	—	(5.9)
Proceeds from maturities of investments	74.0	—	201.0	—	275.0
Payments for purchases of investments	—	—	(126.5)	—	(126.5)
Proceeds from sale of assets	6.7	—	4.1	—	10.8
Increase in certain other assets	(4.6)	—	(18.2)	—	(22.8)
Capital contributions and loans paid	(487.2)	—	—	487.2	—
Proceeds from intercompany loans	25.2	—	—	(25.2)	—
Net cash provided (used) by investing activities	(390.6)	(0.1)	18.8	462.0	90.1
Cash flow from financing activities					
Dividends paid	(7.7)	—	—	—	(7.7)
Debt issuance costs	(38.9)	—	—	—	(38.9)
Revolving credit facility (repayments) borrowings, net	115.0	—	70.0	—	185.0
Other debt borrowings	660.0	—	46.0	—	706.0
Other debt repayments	(274.5)	(0.3)	(31.9)	—	(306.7)
Distributions and payments to noncontrolling interest holders	—	—	(337.8)	—	(337.8)
Repurchase of common shares	(3.0)	—	—	—	(3.0)
Capital contributions received and loans incurred	—	43.0	444.2	(487.2)	—
Payments on intercompany loans	—	(16.6)	(8.6)	25.2	—
Net cash provided (used) by financing activities	450.9	26.1	181.9	(462.0)	196.9
Effect of exchange rate changes on cash and cash equivalents	—	—	(14.4)	—	(14.4)
Increase (decrease) in cash, cash equivalents and restricted cash	(48.2)	1.6	(52.9)	—	(99.5)
Cash, cash equivalents and restricted cash at the beginning of the period	58.5	2.3	482.4	—	543.2
Cash, cash equivalents and restricted cash at the end of the period	<u>\$ 10.3</u>	<u>\$ 3.9</u>	<u>\$ 429.5</u>	<u>\$ —</u>	<u>\$ 443.7</u>

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Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2017

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications/ Eliminations	Consolidated
Net cash provided (used) by operating activities	\$ (101.9)	\$ (23.9)	\$ (109.5)	\$ —	\$ (235.3)
Cash flow from investing activities					
Capital expenditures	(7.5)	(0.1)	(34.1)	—	(41.7)
Payments for acquisitions	—	—	(5.6)	—	(5.6)
Proceeds from maturities of investments	0.4	—	249.1	—	249.5
Payments for purchases of investments	(14.0)	—	(246.7)	—	(260.7)
Proceeds from sale of assets	—	—	14.6	—	14.6
Increase in certain other assets	(0.6)	3.9	(30.2)	—	(26.9)
Capital contributions and loans paid	(100.2)	—	—	100.2	—
Proceeds from intercompany loans	193.7	—	—	(193.7)	—
Net cash provided (used) by investing activities	71.8	3.8	(52.9)	(93.5)	(70.8)
Cash flow from financing activities					
Dividends paid	(22.9)	—	—	—	(22.9)
Debt issuance costs	(1.1)	—	—	—	(1.1)
Revolving credit facility (repayments) borrowings, net	—	—	120.0	—	120.0
Other debt borrowings	323.3	—	57.7	—	381.0
Other debt repayments	(344.3)	(1.1)	(88.1)	—	(433.5)
Distributions and payments to noncontrolling interest holders	—	—	(16.3)	—	(16.3)
Issuance of common shares	0.3	—	—	—	0.3
Repurchase of common shares	(4.8)	—	—	—	(4.8)
Capital contributions received and loans incurred	—	53.2	47.0	(100.2)	—
Payments on intercompany loans	—	(31.8)	(161.9)	193.7	—
Net cash provided (used) by financing activities	(49.5)	20.3	(41.6)	93.5	22.7
Effect of exchange rate changes on cash and cash equivalents	—	—	19.3	—	19.3
Increase (decrease) in cash, cash equivalents and restricted cash	(79.6)	0.2	(184.7)	—	(264.1)
Cash, cash equivalents and restricted cash at the beginning of the period	138.9	2.3	511.5	—	652.7
Cash, cash equivalents and restricted cash at the end of the period	<u>\$ 59.3</u>	<u>\$ 2.5</u>	<u>\$ 326.8</u>	<u>\$ —</u>	<u>\$ 388.6</u>

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

Significant Highlights

During the third quarter of 2018, Diebold Nixdorf:

- Transitioned to a new, streamlined and customer-centric operating model designed to drive global consistency across the organization while improving collaboration and enabling more agile decision-making.
- Initiated a services modernization program which includes updating customer touchpoints (ATM or POS), automating incident reporting and responses, and standardizing offerings and internal support processes.
- Raised \$650.0 through a new term loan and revised the financial management covenants of the the Company's credit facility. This enhanced liquidity provides financial flexibility, facilitates acquiring the remaining shares of Diebold Nixdorf AG and supports DN Now initiatives.
- Increased its ownership stake in Diebold Nixdorf AG to 27.7 shares, or approximately 93 percent, as of September 30, 2018. The Company launched the formal process to merge the German subsidiary, Diebold Nixdorf AG, with and into Diebold KGaA. Once completed, it will result in a further simplified and streamlined corporate structure.
- Signed a \$70.0, multiyear services contract covering about 1,000 Marks & Spencer stores in western Europe.
- Secured a multiyear managed services agreement valued at \$68.0 for new POS devices and related software at a leading European home improvement retailer.
- Won Windows 10 ATM product upgrade contracts with several North America financial institutions, including an agreement with a regional United States (U.S.) bank for more than 500 DN Vynamic software licenses and a new managed services agreement.
- Renewed a five-year maintenance service contract with a top-three U.S. financial institution, also renewed a three-year contract with Caixa Bank to service 25,000 ATMs in Brazil.
- Acquired a \$6, multiyear Vynamic View SaaS contract with a multinational financial institution.
- Secured a contract with Westpac in Australia for DN Vynamic software portfolio. Diebold Nixdorf is now the sole ATM software provider for Westpac's 2,600 machines.

Overview

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

Introduction

The Company provides Connected Commerce solutions which enable millions of transactions each day. The Company's approximately 23,000 employees service our customers' integrated solutions and design and deliver convenient, "always on" and highly secure solutions that bridge the physical and digital worlds of transactions. Customers of the Company include nearly all of the world's top 100 financial institutions and a majority of the top 25 global retailers.

Strategy

The Company's Connected Commerce strategy seeks to continually enhance the consumer experience at bank and retail locations while simultaneously streamlining cost structures and business processes through the smart integration of hardware, software and services. The business requires ongoing investment in the development of intelligent IT solutions and is the Company's industry-leading services organization. The Company partners with other leading technology companies and regularly refines its research and development (R&D) spend in support of a better transaction experience for consumers.

Integration and Transformation Program

Commensurate with its strategy, the Company has evolved its multi-year integration and transformation program to relentlessly focus on our customers, improve operational excellence and form a common culture across the Company. Key activities underway include:

- Implementing a new, streamlined and customer-centric operating model
- Refining internal processes and product range
- Initiating a services modernization plan
- Making changes to drive a more sustainable supply chain and improve net working capital

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- Optimizing the portfolio of businesses and worldwide cost structure

The Company refers to these activities collectively as DN Now which is designed to improve its profitability and net leverage. The savings target for DN Now is in excess of \$250, of which \$100 is anticipated to be realized over the next year. In order to achieve these savings, the Company has and will continue to restructure the workforce, integrate and optimize systems, streamline legal entities and consolidate real estate holdings. By executing on these and other operational improvement activities, the Company expects to increase customer satisfaction, provide career enrichment opportunities for employees and enhance value for shareholders.

Segments

The Company's operating structure is focused on its two customer segments - Banking and Retail. Leveraging a broad portfolio of solutions, the Company offers customers the flexibility to purchase the combination of services, software and systems that drive the most value to their business.

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

Banking

The Company provides integrated solutions for financial institutions of all sizes - tailored to help drive operational efficiencies, differentiate the consumer experience, grow revenue and manage risk. Operations are managed within two regions - Eurasia and the Americas. Eurasia includes the developed economies of Western Europe as well as the emerging economies of Eastern Europe, Asia, the Middle East and Africa. The Americas region encompasses the U.S., Canada, Mexico and Latin America.

For banking services, the Company provides clients with end-to-end solutions with a customer-first, outcome-driven approach. Diebold Nixdorf AllConnectSM Services is a new breed of as-a-service offering, designed to power the business operations of financial institutions of all sizes.

Product-related services resolve incidents through remote service capabilities or an on-site visit. The portfolio includes first and second line maintenance, preventive maintenance and on-demand services all the way to total implementation services. The Company leverages a standardized incident management process to increase uptime of distributed assets.

Managed services and outsourcing consists of managing the end-to-end business processes, technology integration and day-to-day operation of the self-service channel and the bank branch. Our integrated business solutions include self-service fleet management, branch life-cycle management and ATM as-a-service capabilities.

The Company also provides cash management services, which optimizes the availability and cost of physical currency across the enterprise through efficient forecasting, inventory and replenishment processes. These offerings enable customers to meet the growing demand for transaction availability at ATMs and other distributed assets in a cost-effective manner.

From a software perspective, the Company provides financial institutions with front-end applications for consumer connection points as well as back-end platforms that manage channel transactions, operations and integration. These hardware-agnostic software applications facilitate millions of transactions via ATMs, kiosks, and other self-service devices, as well as via digital channels such as online and mobile. The Company's platform software is installed within bank data centers to facilitate omnichannel transactions, endpoint monitoring, remote asset management, customer marketing, merchandise management and analytics.

In 2017, the Company introduced DN Vynamic, the first end-to-end Connected Commerce software portfolio in the banking marketplace. The DN Vynamic suite's open API architecture is built to eliminate the traditional focus on internal silos and enable tomorrow's inter-connected partnerships between financial institutions and payment providers.

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An important enabler of the Company's software offerings is the professional service employees who provide systems integration, customization, project management and consulting. 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 automate both branches and stores.

The banking product portfolio consists of cash recyclers and dispensers, intelligent deposit terminals, teller automation and kiosk technologies, as well as physical security solutions. Diebold Nixdorf stands ready to assist financial institutions to increase the functionality, availability and security within their ATM fleet. An important technology change facing financial institutions is the migration to Microsoft Windows 10 operating system. Benefits of upgrading to Windows 10 include:

- The ability to reduce operating costs while improving operating efficiencies;
- Advanced defense against logical threats while also ensuring access to future security patches from Microsoft;
- The ability to offer end-user enhancements which leverage application-based platforms, faster processors and greater memory;
- Helping to maintain consistency with other platforms migrating to Windows 10; and
- Maintaining compliance with the Payment Card Industry (PCI) regulations.

Retail

The Company's comprehensive portfolio of retail devices, software and services enhances the shopping experiences and improves the checkout process for both retailers and consumers.

Diebold Nixdorf AllConnectSM Services for retailers include:

- Maintenance and Availability Services - focuses on continuously improving retail self-service fleet availability and performance. First and second line maintenance, preventive maintenance and on-demand services utilize a standardized incident management process to assure high-quality service delivery.
- Total Implementation Services - reliable and scalable implementation solutions in support of both current and new store concepts. The Company leverages standard processes and tools, local resources and a single point of contact.
- Managed Mobility Services - centralizes asset management and repair of mobile devices, tailored to the unique needs of each business. Monitoring and advanced analytics capabilities provide operational insights and support new growth opportunities.
- Store Life-cycle Management - proactively monitors store IT endpoints and enables improved management of internal and external suppliers and delivery organizations. Service personnel supervise market entry, openings, renewals and transformation projects, with attention to local details and customers' global IT infrastructure.

The DN Vynamic software suite for retailers provides a comprehensive, modular solution capable of enabling the most advanced omnichannel retail use cases. The retail software improves end-to-end store processes and facilitates continuous connected consumer engagements in support of a digital ecosystem. This includes click & collect, reserve & collect, in-store ordering and return to store processes across the retailers' physical and digital sales channels. Operational data from a number of sources, such as enterprise resource planning (ERP), POS, store systems and customer relationship management systems (CRM), may be integrated across all customer connection points to create seamless and differentiated consumer experiences.

The retail systems portfolio includes modular, integrated and mobile POS and SCO terminals that meet evolving automation and omnichannel requirements of consumers. Supplementing the POS system is a broad range of peripherals, including printers, scales and mobile scanners, as well as the cash management portfolio which offers a wide range of banknote and coin processing systems. The Company also provides SCO terminals and ordering kiosks which facilitate an efficient and user-friendly purchasing experience. The BEETLE /iSCAN EASY eXpress, hybrid products, can alternate from attended operation to self-checkout with the press of a button as traffic conditions warrant. The K-Two Kiosk automates routine tasks and in-store transactions, offers order-taking abilities at quick service restaurants (QSRs) and fast casual restaurants, provides customer service, supplies product information, sells tickets and presents functionality that furthers store digitalization.

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Business Drivers

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

- Demand for services on distributed IT assets such as ATMs, POS and SCO, including maintenance services and managed services;
- Timing of product upgrades and/or replacement cycles for ATMs, POS and SCO;
- Demand for software products and professional services;
- Demand for security products and services for the financial, retail and commercial sectors;
- Demand for innovative technology in connection with our Connected Commerce strategy;
- Integration of sales force, business processes, procurement and internal IT systems; and
- Realization of cost reductions, which leverage the Company's global scale, reduce overlap and improve operating efficiencies.

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Results of Operations

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

Net Sales

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

	Three Months Ended				Percent of Total Net Sales for the			
	September 30,		% Change	% Change in CC ⁽¹⁾	Three Months Ended			
	2018	2017			September 30,	2018	2017	
Segments								
Eurasia Banking								
Services	\$	229.8	\$	240.2	(4.3)	(1.6)	20.5	21.4
Products		152.0		167.5	(9.3)	(7.1)	13.6	14.9
Software		52.5		53.4	(1.7)	0.4	4.7	4.8
Total Eurasia Banking		434.3		461.1	(5.8)	(3.4)	38.8	41.1
Americas Banking								
Services		237.2		245.8	(3.5)	(1.6)	21.2	21.9
Products		118.0		106.2	11.1	13.4	10.5	9.4
Software		27.3		24.7	10.5	15.2	2.5	2.2
Total Americas Banking		382.5		376.7	1.5	3.7	34.2	33.5
Retail								
Services		116.9		119.8	(2.4)	(0.2)	10.5	10.7
Products		144.6		123.3	17.3	19.9	12.9	11.0
Software		40.7		41.8	(2.6)	0.5	3.6	3.7
Total Retail		302.2		284.9	6.1	8.6	27.0	25.4
Total net sales	\$	1,119.0	\$	1,122.7	(0.3)	2.0	100.0	100.0

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

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Net sales decreased \$3.7 or 0.3 percent including a net unfavorable currency impact of \$26.1 primarily related to the euro and Brazil real. Net sales in the three months ended September 30, 2017 were adversely impacted \$9.7 related to deferred revenue purchase accounting adjustments (Deferred Revenue Adjustments). The following results include the impact of foreign currency and purchase accounting adjustments.

Segments

- Eurasia Banking net sales decreased \$26.8 including a net unfavorable currency impact of \$11.5 mainly related to the euro. Net sales in the prior-year quarter were adversely impacted \$5.8 related to Deferred Revenue Adjustments. Excluding currency and Deferred Revenue Adjustments, net sales decreased \$21.1 due primarily to India from a roll off of a maintenance contract with a particular customer. Additionally, lower product volume primarily in AP was partially offset by increased unit replacements in Germany related to Windows 10 migrations.
- Americas Banking increased \$5.8 including a net unfavorable currency impact of \$7.9 related to the Brazil real. Excluding currency, net sales increased \$13.7 from higher product project activity in Brazil, along with higher product volume in

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Canada, U.S. national accounts and Mexico, partially offset by lower product volume in U.S. regional accounts and lower services net sales in Latin America.

- Retail net sales increased \$17.3 including a net unfavorable currency impact of \$6.7 mainly related to the euro. Prior year net sales were adversely impacted \$3.9 related to Deferred Revenue Adjustments. Excluding currency and Deferred Revenue Adjustments, net sales increased \$20.1 due to a large North America kiosk project as well as higher POS activity in Spain. These increases were partially offset by lower POS volume in Germany.

	Nine Months Ended September 30,				Percent of Total Net Sales for the Nine Months Ended September 30,	
	2018	2017	% Change	% Change in CC ⁽¹⁾	2018	2017
Segments						
Eurasia Banking						
Services	\$ 702.2	\$ 699.8	0.3	(4.0)	21.4	20.8
Products	451.7	527.0	(14.3)	(17.8)	13.7	15.7
Software	153.0	145.8	4.9	0.1	4.6	4.3
Total Eurasia Banking	1,306.9	1,372.6	(4.8)	(8.9)	39.7	40.8
Americas Banking						
Services	706.7	729.7	(3.2)	(2.2)	21.5	21.7
Products	292.3	323.1	(9.5)	(8.1)	8.9	9.6
Software	87.8	75.9	15.7	18.2	2.7	2.3
Total Americas Banking	1,086.8	1,128.7	(3.7)	(2.5)	33.1	33.6
Retail						
Services	360.7	329.8	9.4	4.1	11.0	9.8
Products	412.4	412.1	0.1	(5.6)	12.5	12.3
Software	122.0	116.2	5.0	0.4	3.7	3.5
Total Retail	895.1	858.1	4.3	(1.1)	27.2	25.6
Total net sales	\$ 3,288.8	\$ 3,359.4	(2.1)	(4.8)	100.0	100.0

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

Nine months ended September 30, 2018 compared with nine months ended September 30, 2017

Net sales decreased \$70.6 or 2.1 percent including a net favorable currency impact of \$94.9 primarily related to the euro and Brazil real. Net sales in the prior-year were adversely impacted \$30.5 related to Deferred Revenue Adjustments. The following results include the impact of foreign currency and Deferred Revenue Adjustments:

Segments

- Eurasia Banking net sales decreased \$65.7 including a net favorable currency impact of \$61.7 to the euro. Net sales in the prior-year were adversely impacted \$18.3, including a net favorable currency impact of \$1.4, related to Deferred Revenue Adjustments. Excluding currency and Deferred Revenue Adjustments, net sales decreased \$147.1 due to lower product volume in various countries throughout the segment related to fewer product deployments and projects, particularly in Turkey, Indonesia, Australia and the Middle East, in addition to decreased services in India as a result of a maintenance contract roll off with a particular customer. These decreases were partially offset by increased unit replacements in Germany related to Windows 10 migrations.
- Americas Banking net sales decreased \$41.9 including a net unfavorable currency impact of \$13.6 related to the Brazil real. Excluding currency, net sales decreased \$28.3 due to lower product volume in Brazil as well as the North America regional business, which was adversely impacted by supply chain delays in the first half of 2018. Additionally, service revenue was impacted by lower maintenance revenue from two large customers in North America and \$4.1 lower electronic security revenue in Chile due to the business divestiture in September of 2017. These declines were partially offset by

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additional product volume in Mexico, Ecuador and Canada as well as additional professional services volume in North America and software license volume in Brazil.

- Retail net sales increased \$37.0 including a favorable net currency impact of \$46.8 mostly related to the euro. Prior year net sales were adversely impacted \$12.2, including a net favorable currency impact of \$1.0, related to Deferred Revenue Adjustments. Excluding currency and Deferred Revenue Adjustments, net sales decreased \$23.0 due to large prior year non-recurring POS and kiosk activity in Germany for multiple customers and to a lesser extent, the U.K. Additionally, the Company experienced lower product volume in the non-core business in Eurasia and Brazil. These declines were partially offset by higher product volume in France, Central Eastern Europe and Southern Europe as well as a large retail kiosk project in North America.

Gross Profit

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	% Change	2018	2017	% Change
Gross profit - services	\$ 132.3	\$ 135.1	(2.1)	\$ 392.1	\$ 397.2	(1.3)
Gross profit - products	66.7	69.0	(3.3)	198.2	219.7	(9.8)
Gross profit - software	29.3	35.9	(18.4)	97.4	101.4	(3.9)
Total gross profit	<u>\$ 228.3</u>	<u>\$ 240.0</u>	(4.9)	<u>\$ 687.7</u>	<u>\$ 718.3</u>	(4.3)
Gross margin - services	22.7%	22.3%		22.2%	22.6%	
Gross margin - products	16.1%	17.4%		17.1%	17.4%	
Gross margin - software	24.3%	29.9%		26.8%	30.0%	
Total gross margin	20.4%	21.4%		20.9%	21.4%	

Services gross margin was relatively flat in both the three and nine months ended September 30, 2018 and was favorably impacted by lower restructuring charges of \$9.9 and \$24.7 in the three and the nine months ended, respectively. Lower non-routine charges of \$5.1 and \$14.3 in the three and nine months ended, respectively, were primarily related to lower purchase accounting adjustments inclusive of amortization and prior-year quarter deferred revenue. Excluding restructuring and non-routine charges, services gross margin decreased in both the three and nine months ended September 30, 2018 by 1.9 and 2.4 percent, respectively. The three and nine months ended were adversely impacted by an unfavorable banking services mix in North America and higher non-recurring services cost in Brazil banking, primarily in the nine-month period. Additionally, both the three and nine months ended included unfavorable banking customer and services mix in Eurasia, negatively impacting gross margin.

Product gross margin decreased 1.3 percent in the three months ended and was relatively flat in the nine months ended September 30, 2018. The three months ended September 30, 2018 was unfavorably impacted by higher restructuring charges of \$1.8 while both the three and the nine months ended were favorably impacted by lower non-routine charges of \$10.0 and \$29.5, respectively. Lower non-routine charges in both the three and nine months ended included decreased Purchase Accounting Adjustments of amortization and prior-year deferred revenue of \$10.4 and \$24.2 while the nine months ended also benefited \$3.7 from the Brazil indirect tax accrual reversal in the first quarter of 2018. Excluding restructuring and non-routine charges, product gross margin decreased 3.1 and 2.3 percent in the three and nine months ended, respectively, primarily as a result of unfavorable banking and retail customer mix in the Americas as well as supply chain delays in the first half of 2018 and the corresponding expedited freight cost.

Software gross margin decreased 5.6 and 3.2 percent in the three and nine months ended September 30, 2018, respectively. Restructuring charges were higher by \$1.7 and \$2.6 in the three and nine months ended, respectively, while non-routine charge were lower by \$1.4 and \$8.3 in the three and nine months ended, respectively, primarily due to decreased Purchase Accounting Adjustments related to amortization. Excluding restructuring and non-routine charges, software gross margin decreased 6.1 and 5.1 percent in the three and nine months ended, respectively, primarily due to lower margin Latin America licenses net sales. Additionally, the nine months ended was adversely impacted from lower margin professional services in Eurasia.

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Operating Expenses

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

	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2018	2017	% Change	2018	2017	% Change
Selling and administrative expense	\$ 216.2	\$ 208.8	3.5	\$ 663.9	\$ 692.6	(4.1)
Research, development and engineering expense	36.6	34.2	7.0	118.9	114.4	3.9
Impairment of assets	109.3	—	—	199.3	3.1	N/M
(Gain) loss on sale of assets, net	0.1	5.6	(98.2)	(6.8)	(2.5)	(172.0)
Total operating expenses	<u>\$ 362.2</u>	<u>\$ 248.6</u>	<u>45.7</u>	<u>\$ 975.3</u>	<u>\$ 807.6</u>	<u>20.8</u>
Percent of net sales	32.4%	22.1%		29.7%	24.0%	

N/M = Not Meaningful

Selling and administrative expense in the three months ended September 30, 2018 increased \$7.4 including higher incremental restructuring of \$25.9 and lower non-routine charges of \$8.4. Excluding the impact of restructuring, non-routine charges and a net \$4.0 favorable currency impact, mostly related to the Brazil real and euro, selling and administrative expense was \$6.1 lower, primarily from lower incentive compensation related to the Company's annual incentive program (AIP) and initial benefits of the DN Now plan. Selling and administrative expense in the nine months ended September 30, 2018 decreased \$28.7 including higher incremental restructuring of \$19.5 and lower non-routine charges of \$22.7. Excluding the impact of restructuring and non-routine charges and a net favorable currency impact of \$15.1, due to the euro and Brazil real, selling and administrative expense was lower \$40.6, primarily from cost reduction initiatives across the Company related to restructuring programs and decreased AIP cost as well as a \$4.5 benefit from the mark-to-market adjustment of the legacy Wincor Nixdorf stock option program. The decrease in the nine months ended was partially offset by the retail segment from increased investment in the new North America retail sales organization.

Non-routine cost in selling and administrative expense of \$35.3 and \$43.7 were included in the three months ended September 30, 2018 and 2017, respectively. The primary components of the non-routine expenses in the third quarter of 2018 pertained to purchase accounting adjustments of \$21.7 related to intangible asset amortization, integration cost totaling \$9.3 and legal and consulting cost of \$4.3. Selling and administrative expense included restructuring charges of \$28.6 and \$2.5 in the three months ended September 30, 2018 and 2017, respectively, primarily due to the workforce alignment actions under the DN Now plan. Non-routine cost in selling and administrative expense of \$109.9 and \$132.5 were included in the nine months ended September 30, 2018 and 2017, respectively. The primary components of the non-routine expenses in the nine months ended September 30, 2018 pertained to purchase accounting adjustments of \$67.8 related to intangible asset amortization, integration cost totaling \$36.8 and legal and consulting cost of \$5.1. Selling and administrative expense included restructuring charges of \$33.0 and \$13.5 in the nine months ended September 30, 2018 and 2017, respectively.

Research, development and engineering expense in the three months ended September 30, 2018 was relatively flat excluding higher restructuring of \$1.4. In the nine months ended September 30, 2018, research, development and engineering expense included an unfavorable currency impact of \$5.3. Excluding the impact of currency, research, development and engineering expense in the nine months ended was flat, primarily from lower AIP cost which was mostly offset by increased restructuring of \$2.0.

As a result of certain impairment triggering events, the Company performed an impairment test of goodwill for its four reporting units during the third quarter of 2018. Based on the results of the impairment testing, the Company recorded a non-cash goodwill impairment loss of \$109.3 related to the Eurasia Banking, EMEA Retail and Rest of World Retail reporting units during the third quarter of 2018. During the second quarter of 2018, the Company performed an impairment test of goodwill for all of its LoB reporting units due to the change in its reportable operating segments which resulted in a \$90.0 non-cash impairment loss. The nine months ended September 30, 2018 recorded impairment of \$199.3, related to the impairment of goodwill in the second and third quarters, compared to \$3.1 in the same prior year period related to information technology transformation and integration activities.

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No material gain or loss on assets was recorded in the three months ended September 30, 2018. The gain on sale of assets in the nine months ended September 30, 2018 was primarily related to a gain on sale of buildings in North America of \$4.8, the liquidation of the Barbados operating entity of \$3.3 and gain related to a certain China investment. This gain on sale of assets was partially offset by the loss pertaining to a settlement of certain open matters related to an Americas divestiture in the second quarter of 2018.

Operating expense as a percent of net sales in the three months ended September 30, 2018 increased 10.3 percent to 32.4 percent compared to the same period in 2017 primarily related the non-cash impairment losses and higher restructuring cost. The nine months ended increased to 29.7 percent compared to 24.0 percent in the same period in 2017 primarily related to the non-cash impairment losses recorded during the second quarter and third quarter of 2018.

Operating Profit

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	% Change	2018	2017	% Change
Operating profit (loss)	\$ (133.9)	\$ (8.6)	N/M	\$ (287.6)	\$ (89.3)	(222.1)
Operating margin	(12.0)%	(0.8)%		(8.7)%	(2.7)%	

The operating loss increased in the three months ended September 30, 2018 compared to the same period in 2017 due primarily to a non-cash goodwill impairment loss along with lower gross profit in all business lines combined with increased restructuring expense. The operating loss increased in the nine months ended September 30, 2018 compared to the same period in 2017 due primarily to the goodwill impairment in the second and third quarters of 2018 and lower product gross profit in line with decreased volume, partially offset by favorable selling and administrative expense attributable to cost saving initiatives.

Other Income (Expense)

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	% Change	2018	2017	% Change
Interest income	\$ 2.2	\$ 4.3	(48.8)	\$ 7.6	\$ 15.8	(51.9)
Interest expense	(45.2)	(27.7)	(63.2)	(99.6)	(90.7)	(9.8)
Foreign exchange gain (loss), net	2.2	3.2	(31.3)	(2.3)	(4.5)	48.9
Miscellaneous, net	1.8	(1.5)	N/M	0.9	1.7	(47.1)
Other income (expense), net	\$ (39.0)	\$ (21.7)	(79.7)	\$ (93.4)	\$ (77.7)	(20.2)

Interest income in both the three and nine months ended September 30, 2018 decreased, compared with the same periods in 2017, primarily as a result of overall lower average balances as well as lower rates on short term investments and repatriation of cash in Brazil. Interest expense in both the three and nine months was higher compared to the same prior-year periods due to higher domestic interest rates and the acquisition of the additional \$650.0 of Term Loan A-1 Facility debt with higher incremental interest rates and related fee amortization. Miscellaneous net, increased in the three months ended due primarily to increased income from the strategic alliances in China while the nine months ended was unfavorably impacted by higher cost and lower benefits associated with the company owned life insurance.

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Net Income (Loss)

The following table represents information regarding the Company's net income (loss):

	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2018	2017	% Change	2018	2017	% Change
Income (loss) before taxes	\$ (172.9)	\$ (30.3)	N/M	\$ (381.0)	\$ (167.0)	N/M
Income tax expense (benefit)	45.8	(0.9)	N/M	35.6	(60.5)	N/M
Net income (loss)	\$ (218.7)	\$ (29.4)	N/M	\$ (416.6)	\$ (106.5)	N/M
Percent of net sales	(19.5)%	(2.6)%		(12.7)%	(3.2)%	
Effective tax rate	(26.5)%	3.0 %		(9.3)%	36.2 %	

The loss before taxes and net loss increased primarily due to the reasons described above. Net loss was also impacted by the change in the income tax expense (benefit).

The Tax Act was enacted on December 22, 2017. The Tax Act reduces the U.S. federal corporate income tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings for certain foreign subsidiaries and creates new taxes on certain foreign sourced earnings. The Company applied the guidance in SAB 118 when accounting for the enactment date effects of the Tax Act. As of September 30, 2018, the Company has not completed the accounting for all the tax effects of the Tax Act. However, upon further analysis of certain aspects of the Tax Act and refinements to the Company's calculations, the Company has increased the provisional estimate relating to deemed repatriation transition tax (transition tax) by \$46.8. This increase in the provisional estimate has been included as a discrete item in the interim period ended September 30, 2018. The Company will continue to refine the provision estimate over the one-year measurement period ending December 31, 2018 which will include the period in which the Company filed its U.S. Corporation Income Tax Return. The final impacts of the Tax Act may differ materially as additional guidance and information becomes available and the U.S. federal tax filing, including transition tax, is complete.

The effective tax rate on the loss before taxes was (26.5) percent for the three months ended September 30, 2018 and (9.3) percent for the nine months ended September 30, 2018. The expense on the loss for the three months ended and nine months ended was primarily due to a goodwill impairment charge, the impacts of the Tax Act and the higher interest expense burden resulting from the debt restructuring. More specifically, the expense on the loss reflects refinement of the transition tax, the impacts related to GILTI and the business interest deduction limitation which, as a result of the Company's debt restructuring activities during the quarter, required a full valuation allowance on the current year nondeductible business interest expense. In addition, the benefit on the losses for the nine months is reduced by the goodwill impairment charge, which for tax purposes is primarily nondeductible, of \$109.3 and \$90.0 incurred in the third and second quarter, respectively. The effective tax rate could vary in future periods based on the Company's earnings before taxes and clarification around the Tax Act.

The effective tax rate on the loss before taxes was 3.0 percent for the three months ended September 30, 2017 and 36.2 percent for the nine months ended September 30, 2017. The tax for the three months ended September 30, 2017 reflects an unfavorable adjustment relating to year-to-date changes in the Company's valuation allowance as well as higher than anticipated losses incurred in jurisdictions with a full valuation allowance throughout the period. During the three and nine months ended September 30, 2017, the overall reduction in the tax benefit was offset by the repatriation of foreign earnings and the associated recognition of foreign tax credits as well as favorable discrete items associated with the release of uncertain tax positions due to the expiration of the statute of limitations and reductions in the Company's deferred tax liability relating to undistributed foreign subsidiary earnings.

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Segment Net Sales and Operating Profit Summary

The following tables represent information regarding the segment operating profit metrics excluding the impact of Deferred Revenue Adjustments, restructuring and non-routine charges, by reporting segment. Refer to note 20 of the condensed consolidated financial statements for further details of net sales and segment operating profit:

	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2018	2017	% Change	2018	2017	% Change
Eurasia Banking:						
Net sales	\$ 434.3	\$ 461.1	(5.8)	\$ 1,306.9	\$ 1,372.6	(4.8)
Segment operating profit (loss)	\$ 43.2	\$ 40.0	8.0	\$ 79.8	\$ 91.0	(12.3)
Segment operating profit margin	9.9%	8.7%		6.1%	6.6%	

In the three months ended September 30, 2018, Eurasia Banking net sales decreased \$26.8 including a net unfavorable currency impact of \$11.5 mainly related to the euro. Net sales in the prior-year quarter were adversely impacted \$5.8 related to Deferred Revenue Adjustments. Excluding currency and Deferred Revenue Adjustments, net sales decreased \$21.1 due primarily to India from a roll off of a low-margin maintenance services contract with a particular customer. Additionally, lower product volume primarily in AP was partially offset by increased unit replacements in Germany related to Windows 10 migrations. In the nine months ended September 30, 2018, Eurasia Banking net sales decreased \$65.7 including a net favorable currency impact of \$61.7 to the euro. Net sales in the prior-year were adversely impacted \$18.3, including a net favorable currency impact of \$1.4, related to Deferred Revenue Adjustments. Excluding currency and Deferred Revenue Adjustments, net sales decreased \$147.1 due to lower product volume in various countries throughout the segment related to fewer product deployments and projects, particularly in Turkey, Indonesia, Australia and the Middle East, in addition to decreased services in India as a result of a maintenance contract roll off with a particular customer. These decreases were partially offset by increased unit replacements in Germany related to Windows 10 migrations.

Segment operating profit increased \$3.2 in the three months and decreased \$11.2 in the nine months ended September 30, 2018, respectively, compared to the prior-year same periods. The three months ended operating profit increased primarily due to lower operating expense from lower AIP cost and the workforce alignment actions under the DN Now plan as well as higher software volume and associated profit. The increase was partially offset by lower services and product gross profit from decreased service base in AP and unfavorable services customer and solution mix in EMEA as well as unfavorable solutions mix in the Eurasia non-core business. The nine months ended was unfavorably impacted by lower gross profit attributable to lower product volume and service base loss in AP, as well as lower product volume and unfavorable services mix in the non-core business. Decreased selling and administrative and research, development and engineering expense partially offset lower gross profit in the nine months ended from a combination of lower AIP expense and cost saving initiatives related to the restructuring programs.

Segment operating profit margin increased in the three months ended primarily as a result of lower operating expense, related to lower AIP cost and cost saving initiatives, as well as higher software gross profit, partially offset by lower services and product gross profit. The nine months ended September 30, 2018 decreased compared to the prior-year same period due to decreased product and services gross profit, partially offset by favorable selling and administrative expense attributable to lower AIP cost and cost saving initiatives.

	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2018	2017	% Change	2018	2017	% Change
Americas Banking:						
Net sales	\$ 382.5	\$ 376.7	1.5	\$ 1,086.8	\$ 1,128.7	(3.7)
Segment operating profit (loss)	\$ 4.0	\$ 14.5	(72.4)	\$ 10.4	\$ 48.0	(78.3)
Segment operating profit margin	1.0%	3.8%		1.0%	4.3%	

In the three months ended September 30, 2018, Americas Banking increased \$5.8 including a net unfavorable currency impact of \$7.9 related to the Brazil real. Excluding currency, net sales increased \$13.7 from higher product volume in Brazil, Canada, U.S. national accounts and Mexico, partially offset by lower product volume in U.S. regional accounts. In the nine months ended September 30, 2018, Americas Banking net sales decreased \$41.9 including a net unfavorable currency impact of \$13.6 related to the Brazil real. Excluding currency, net sales decreased \$28.3 due to lower product volume in Brazil as well as the North America regional business, which was adversely impacted by supply chain delays in the first half of 2018. Additionally, service revenue

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was impacted by lower maintenance revenue from two large customers in North America and \$4.1 lower electronic security revenue in Chile due to the business divestiture in September of 2017. These declines were partially offset by additional product volume in Mexico, Ecuador and Canada as well as additional professional services volume in North America and software license volume in Brazil.

Segment operating profit decreased \$10.5 and \$37.6 in the three and nine months ended September 30, 2018, respectively. Both the three and nine months ended were adversely impacted by lower services gross profit attributable to an unfavorable customer and solution mix in North America as well as higher non-recurring services cost in Brazil banking, primarily in the nine-month period. The decreases were partially offset by a repairable service parts inventory item correcting current and prior year cost of sales resulting in a larger unfavorable impact in 2017. Product gross profit decreased in both the three and nine months ended due primarily to higher freight cost as well as lower volume impacting the nine months ended from supply chain delays in the first half of 2018. Software gross profit was lower in the three months ended due to higher cost while the nine months ended was favorable due to increased professional services activity in North America and software license volume in Brazil. Partially offsetting these declines in both the three and nine months ended, selling and marketing expense decreased from lower AIP cost and associate related cost as well as cost reduction initiatives in Brazil.

Segment operating profit margin decreased in the three and nine months ended September 30, 2018 compared to the prior-year same periods due to higher cost resulting from non-recurring expense in Brazil and unfavorable services customer and solutions mix in North America and increased product freight expense, partially offset by lower operating expense from cost reduction initiatives in Brazil and lower AIP cost.

	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2018	2017	% Change	2018	2017	% Change
Retail:						
Net sales	\$ 302.2	\$ 284.9	6.1	\$ 895.1	\$ 858.1	4.3
Segment operating profit (loss)	\$ 19.2	\$ 27.3	(29.7)	\$ 36.5	\$ 71.3	(48.8)
Segment operating profit margin	6.4%	9.6%		4.1%	8.3%	

In the three months ended September 30, 2018, retail net sales increased \$17.3 including a net unfavorable currency impact of \$6.7 mainly related to the euro. Prior year net sales were adversely impacted \$3.9 related to Deferred Revenue Adjustments. Excluding currency and Deferred Revenue Adjustments, net sales increased \$20.1 due to a large North America kiosk project as well as higher POS activity in Spain. These increases were partially offset by lower POS volume in Germany. In the nine months ended September 30, 2018, retail net sales increased \$37.0 including a favorable net currency impact of \$46.8 mostly related to the euro. Prior year net sales were adversely impacted \$12.2, including a net favorable currency impact of \$1.0, related to Deferred Revenue Adjustments. Excluding currency and Deferred Revenue Adjustments, net sales decreased \$23.0 due to large prior year non-recurring POS and kiosk activity in Germany for multiple customers and to a lesser extent, the U.K. Additionally, the Company experienced lower product volume in the non-core business in Eurasia and Brazil. These declines were partially offset by higher product volume in France, Central Eastern Europe and Southern Europe as well as a large retail kiosk project in North America.

Segment operating profit decreased \$8.1 and \$34.8 in the three and nine months ended September 30, 2018, respectively. The decrease in both the three and nine months ended was due primarily to Eurasia from lower product volume combined with an unfavorable customer mix, impacting the gross profit of both the services and software business, as well as an unfavorable product customer mix in the Americas. Additionally, the three and nine months ended were unfavorably impacted by increased operating expense in Eurasia related to research, development, engineering cost and higher selling and administrative expense from developing the North America retail sales organization, as well as lower product volume in Eurasia, unfavorably impacting gross profit from lower product activity in the current year.

Segment operating profit margin decreased in the three and nine months ended September 30, 2018 compared to the prior-year same periods due to an unfavorable customer and solutions mix. In addition, the nine months ended September 30, 2018 included higher operating expense related to the development of the retail business as well as higher research, development and engineering cost in Eurasia which negatively affected operating profit margin.

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Liquidity and Capital Resources

The Company's total cash and cash availability as of September 30, 2018 and December 31, 2017 was as follows:

	September 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 304.4	\$ 535.2
Additional cash availability from		
Uncommitted lines of credit	44.1	216.9
Revolving Facility	240.0	445.0
Short-term investments	5.0	81.4
Total cash and cash availability	<u>\$ 593.5</u>	<u>\$ 1,278.5</u>

Capital resources are obtained from income retained in the business, borrowings under the Company's committed and uncommitted credit facilities and operating and capital leasing arrangements. Management expects that the Company's capital resources will be sufficient to finance planned working capital needs, research and development activities, investments in facilities or equipment, pension contributions, the payment of dividends and any repurchases of the Company's common shares for at least the next 12 months. As of September 30, 2018, \$295.2 or 95.4 percent of the Company's cash and cash equivalents and short-term investments reside in international tax jurisdictions. Repatriation of certain international funds could be negatively impacted by potential payments for foreign taxes. The Company has approximately \$1,600 of earnings that are available for repatriation with no additional tax expense. The Company has made acquisitions in the past and may make acquisitions in the future. Part of the Company's strategy is to optimize the business portfolio through divestitures and complementary acquisitions. The Company intends to finance any future acquisitions with cash and short-term investments, cash provided from operations, borrowings under available credit facilities, proceeds from debt or equity offerings and/or the issuance of common shares.

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

<i>Summary of cash flows:</i>	2018	2017
Net cash provided (used) by operating activities	\$ (372.1)	\$ (235.3)
Net cash provided (used) by investing activities	90.1	(70.8)
Net cash provided (used) by financing activities	196.9	22.7
Effect of exchange rate changes on cash and cash equivalents	(14.4)	19.3
Increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ (99.5)</u>	<u>\$ (264.1)</u>

Operating Activities

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

Net cash used by operating activities was \$372.1 for the nine months ended September 30, 2018, an increase in use of \$136.8 from \$235.3 for the same period in 2017.

- The net aggregate of trade accounts receivable, inventories and accounts payable used \$156.1 and \$93.3 in operating cash flows during the nine months ended September 30, 2018 and 2017, respectively. In general, the amount of cash flow provided or used by the aggregate of trade accounts payable, inventories and trade accounts receivable depends upon how effectively the Company manages the cash conversion cycle, which represents the number of days that elapse from the day it pays for the purchase of raw materials and components to the collection of cash from its customers and can be significantly impacted by the timing of collections and payments in a period. Accounts receivable cash decreased usage compared to the same period in the prior-year primarily due to improvement in collections in Eurasia. Inventory cash use increased compared to the same period in the prior year primarily due to increased build up of inventory to satisfy various customer demand, as well as the aforementioned supply chain issues. The supply chain issues were primarily resolved and are anticipated to convert to cash over the coming quarters. Cash provided by accounts payable decreased primarily related to reduced spending in the Americas partially offset by increased spending in AP.

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- In the aggregate, the other combined certain assets and liabilities used \$158.3 and \$206.9 of operating cash during the nine months ended September 30, 2018 and 2017, respectively. The decrease in use was primarily due to a reduction in deferred revenue cash provided by the collection of customer prepayments, mainly on service contracts, compared to the same period in the prior year.

Depreciation and amortization expense increased \$9.3 to \$194.7 during the nine months ended September 30, 2018 compared to \$185.4 during the same period in 2017 primarily due to incremental increase in depreciation expense offset by lower amortization expense. Share-based compensation increased \$4.1 to \$27.2 for the nine months ended September 30, 2018 primarily due to a change in non-substantive vesting terms of certain awards and an increased number of non-vested awards granted. The goodwill impairment was \$199.3 for the nine months ended September 30, 2018 as compared to \$3.1 of other asset impairments during the same period in 2017.

Investing Activities

The maturities and purchases of investments primarily relate to short-term investment activity in Brazil. The \$160.9 change was primarily due to the monetization of the Company's investment in the company owned life insurance plans and utilization of short-term investments in Brazil for cash needs across the organization.

Financing Activities

Net cash provided by financing activities was \$196.9 and \$22.7 for the nine months ended September 30, 2018 and 2017, respectively, an increase of \$174.2. The change was primarily due to an additional \$650.0 in proceeds received from the Term Loan A-1 Facility and an increase in net borrowings of the Revolving Facility. The increase in borrowings were partially offset by \$306.7 in debt repayments and higher cash distributions primarily related to the redemption of shares and cash compensation to Diebold Nixdorf AG minority shareholders of \$337.8 for the nine months ended September 30, 2018 compared to \$16.3 in the prior-year period. Refer to note 11 to the condensed consolidated financial statements for details of the Company's cash flows related to debt borrowings and repayments.

Debt As of September 30, 2018, the Company had various international short-term uncommitted lines of credit with borrowing limits of \$67.6. The weighted-average interest rate on outstanding borrowings on the short-term uncommitted lines of credit as of September 30, 2018 and December 31, 2017 was 5.89 percent and 9.17 percent, respectively, and primarily relate to short-term uncommitted lines of credit in India and Brazil. Short-term uncommitted lines mature in less than one year. The amount available under the short-term uncommitted lines at September 30, 2018 was \$44.1.

The Credit Agreement includes the Revolving Facility in the amount of up to \$500.0 and the Term Loan A Facility in the amount of up to \$230.0 as of September 30, 2018. On December 23, 2020, the Term Loan A Facility will mature and the Revolving Facility will automatically terminate. The weighted-average interest rate on outstanding Revolving Facility borrowings as of September 30, 2018 and December 31, 2017 was 4.38 percent and 3.63 percent, respectively, which is variable based on the LIBOR. The amount available under the Revolving Facility as of September 30, 2018 was \$240.0.

The Company has \$400.0 aggregate principal amount of 2024 Senior Notes which are and will be guaranteed by certain of the Company's existing and future domestic subsidiaries and mature in 2024.

On August 30, 2018, the Company entered into the Sixth Amendment to its Credit Agreement. The Amendment amended the financial covenants and established a new senior secured incremental term A-1 facility in an aggregate principal amount of \$650.0 and makes certain other changes to the Credit Agreement.

The interest rate with respect to the Term Loan A-1 Facility is based on, at the Company's option, either the ABR plus 8.25% or a eurocurrency rate plus 9.25%. The Term A-1 Facility will mature in August 2022, the fourth anniversary of the Sixth Amendment. The Term Loan A-1 Facility is subject to a maximum consolidated net leverage ratio, a minimum consolidated interest coverage ratio and Covenant Reset Triggers as described in the Sixth Amendment. Upon the occurrence of any Covenant Reset Trigger, the financial covenant levels will automatically revert to previous financial covenant levels in effect prior to the Sixth Amendment.

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A portion of the proceeds of the Term Loan A-1 Facility are restricted to fund the purchase of the remaining shares of Diebold Nixdorf AG not owned by the Company. The proceeds were used to make optional prepayments of existing term A loans in the amount of \$130.0 and to permanently reduce revolving credit commitments in an amount of \$20.0 and to make a purchase pursuant to an offer open to all term B lenders on a pro rata basis for \$100.0 in face principal amount of term B loans. Any remaining proceeds were used for general corporate and working capital purposes.

On May 9, 2017, the Company entered into the Incremental Agreement which reduced the initial 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.

The Credit Agreement financial covenant ratios at September 30, 2018 are as follows:

- a maximum allowable Leverage Ratio of 7.00 to 1.00 as of September 30, 2018 (reducing to 6.5 on June 30, 2020, further reduced to 6.25 on December 31, 2020, further reduced to 6.00 on June 30, 2021 and further reduced to 5.75 on December 31, 2021); and
- a minimum adjusted EBITDA to net interest expense coverage ratio of not less than 1.38 to 1.00 (increasing to 1.5 on December 31, 2020 and further increased to 1.63 on December 31, 2021)

Below is a summary of financing and replacement facilities information:

Financing and Replacement Facilities	Interest Rate Index and Margin	Maturity/Termination Dates	Initial Term (Years)
Credit Agreement facilities			
Revolving Facility	LIBOR + 3.50%	December 2020	5
Term Loan A Facility	LIBOR + 3.50%	December 2020	5
Term Loan A-1 Facility	LIBOR + 9.25%	August 2022	4
Delayed Draw Term Loan A Facility	LIBOR + 3.50%	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.

The Company's financing agreements contain various financial covenants, including net debt to capitalization, net debt to EBITDA and net interest coverage ratio. Under the Sixth Amendment, the Term Loan A-1 Facility is under a covenant holiday period until the earlier of any covenant reset trigger or April 1, 2019. As of September 30, 2018, the Company was in compliance with the financial and other covenants in its debt agreements.

Dividends The Company paid dividends of \$7.7 and \$22.9 in the nine months ended September 30, 2018 and 2017, respectively. In May 2018, the Company announced its decision to reallocate future dividend funds towards debt reduction and other capital resource needs. As a result, there was no quarterly dividend for the three months ended September 30, 2018. The quarterly dividend was \$0.10 per share for the three months ended September 30, 2017.

Contractual Obligations In the first nine months ended of 2017, the Company entered into purchase commitments due within one year for materials through contract manufacturing agreements for a total negotiated price. At September 30, 2018, the Company had purchase commitments due within one year totaling \$0.9 for materials through contract manufacturing agreements at negotiated prices.

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

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remain Diebold Nixdorf AG minority shareholders and receive a recurring compensation in cash of €2.82 per Diebold Nixdorf AG ordinary share for each full fiscal year of Diebold Nixdorf AG. A portion of the proceeds of the Term A-1 Facility are restricted to fund the purchase of the remaining shares of Diebold Nixdorf AG not owned by the Company. The Company classified the proceeds set aside to purchase the remaining shares in restricted cash in the condensed consolidated balance sheets.

Except for the items noted above, all contractual cash obligations with initial and remaining terms in excess of one year and contingent liabilities remained generally unchanged at September 30, 2018 compared to December 31, 2017.

Off-Balance Sheet Arrangements The Company enters into various arrangements not recognized in the condensed consolidated balance sheets that have or could have an effect on its financial condition, results of operations, liquidity, capital expenditures or capital resources. The principal off-balance sheet arrangements that the Company enters into are guarantees, operating leases and sales of finance receivables. The Company provides its global operations guarantees and standby letters of credit through various financial institutions to suppliers, regulatory agencies and insurance providers. If the Company is not able to make payment, the suppliers, regulatory agencies and insurance providers may draw on the pertinent bank. Refer to note 9 to the condensed consolidated financial statements for further details of guarantees. The Company has sold finance receivables to financial institutions while continuing to service the receivables. The Company records these sales by removing finance receivables from the condensed consolidated balance sheets and recording gains and losses in the condensed consolidated statements of operations.

Critical Accounting Policies and Estimates

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

Management believes there have been no significant changes during the nine months ended September 30, 2018 to the items that the Company disclosed as its critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's annual report on Form 10-K for the year ended December 31, 2017.

Forward-Looking Statement Disclosure

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

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

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

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implied by the forward-looking statements include, but are not limited to:

- the ultimate impact of the DPLTA with Diebold Nixdorf AG and the outcome of the appraisal proceedings initiated in connection with the implementation of the DPLTA;
- the ultimate outcome and results of integrating the operations of the Company and Diebold Nixdorf AG;
- the Company's ability to comply with the covenants contained in the agreements governing its debt;
- the ultimate outcome of the Company's pricing, operating and tax strategies applied to Diebold Nixdorf AG and the ultimate ability to realize cost reductions and synergies;
- the Company's ability to successfully operate its strategic alliances in China;
- changes in political, economic or other factors such as currency exchange rates, inflation rates, recessionary or expansive trends, taxes and regulations and laws affecting the worldwide business in each of the Company's operations, including the impact of the Tax Act;
- the Company's reliance on suppliers and any potential disruption to the Company's global supply chain;
- the impact of market and economic conditions economic conditions, including any additional deterioration and disruption in the financial and service markets, including the bankruptcies, restructurings or consolidations of financial institutions, which could reduce our customer base and/or adversely affect our customers' ability to make capital expenditures, as well as adversely impact the availability and cost of credit;
- interest rate and foreign currency exchange rate fluctuations, including the impact of possible currency devaluations in countries experiencing high inflation rates;
- the acceptance of the Company's product and technology introductions in the marketplace;
- competitive pressures, including pricing pressures and technological developments;
- changes in the Company's relationships with customers, suppliers, distributors and/or partners in its business ventures;
- the effect of legislative and regulatory actions in the U.S. and internationally and the Company's ability to comply with government regulations;
- the impact of a security breach or operational failure on the Company's business;
- the Company's ability to successfully integrate other acquisitions into its operations;
- the impact of the Company's strategic initiatives, including DN Now;
- the Company's success in divesting, reorganizing or exiting non-core businesses;
- the Company's ability to maintain effective internal controls;
- changes in the Company's intention to further repatriate cash and cash equivalents and short-term investments residing in international tax jurisdictions, which could negatively impact foreign and domestic taxes;
- unanticipated litigation, claims or assessments, as well as the outcome/impact of any current/pending litigation, claims or assessments;
- potential security violations to the Company's IT systems;
- the investment performance of our pension plan assets, which could require us to increase our pension contributions, and significant changes in healthcare costs, including those that may result from government action;
- the Company's ability to complete divestitures for optimization of its business portfolio and to realize any of the contingent purchase price consideration related thereto; and
- the Company's ability to achieve benefits from its cost-reduction initiatives and other strategic initiatives, including its planned restructuring actions.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

The Company operates in Argentina through a wholly-owned subsidiary, Diebold Argentina, S.A. The Argentina operations represent less than one percent of the Company's total assets and total net sales as of and for the three and nine months ended September 30, 2018, respectively. As of June 30, 2018, the Company concluded that the Argentina financial results was measured using the U.S. dollar as its functional currency in the third quarter of 2018 because its economy is considered highly inflationary. The operating environment in Argentina continues to present business challenges, including continuing devaluation of Argentina's currency and high inflation.

The Company is closely monitoring developments in Argentina and intends to take steps to mitigate adverse conditions, but there can be no assurances that these actions will be able to mitigate these conditions as they may occur.

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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 \$(0.5) and \$4.9 for the three months ended September 30, 2018 and 2017, respectively. 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 11. On September 21, 2017, the Company de-designated €101.1 of its euro-denominated Term Loan B Facility. On June 21, 2018, the Company re-designated €30.2 of its euro-denominated Term Loan B Facility. On July 23, 2018, the Company de-designated €180.2 of its euro-denominated Term Loan B Facility.

Refer to the Company's annual report on Form 10-K for the year ended December 31, 2017 for a discussion of market risk exposures. There have been no material changes in this information since December 31, 2017.

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Item 4: Controls and Procedures

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

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

Disclosure Controls and Procedures

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

In connection with the preparation of this quarterly report on Form 10-Q, the Company's management, under the supervision and with the participation of the CEO and CFO, conducted an evaluation of disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the CEO and CFO have concluded that such disclosure controls and procedures were effective as of September 30, 2018.

Change in Internal Controls

During the quarter ended September 30, 2018, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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Part II – Other Information

Item 1: Legal Proceedings

At September 30, 2018, the Company was a party to several lawsuits that were incurred in the normal course of business, which neither individually nor in the aggregate are considered material by management in relation to the Company's financial position or results of operations. In management's opinion, the Company's condensed consolidated financial statements would not be materially affected by the outcome of these legal proceedings, commitments or asserted claims.

For more information regarding legal proceedings, please refer to Part I, Item 3 of the Company's annual report on Form 10-K for the year ended December 31, 2017. There have been no material developments with respect to the legal proceedings reported in the Company's annual report on Form 10-K for the year ended December 31, 2017.

Item 1A: Risk Factors

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

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

Information concerning the Company's share repurchases made during the third quarter of 2018:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans ⁽²⁾	Maximum Number of Shares that May Yet Be Purchased Under the Plans (2)
July	511	\$ 14.76	—	2,426,177
August	983	\$ 6.50	—	2,426,177
September	472	\$ 7.87	—	2,426,177
Total	1,966	\$ 8.98	—	

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

⁽²⁾ The total number of shares repurchased as part of the publicly announced share repurchase plan since its inception was 13,450,772 as of September 30, 2018. The plan was approved by the Board of Directors in 1997. The Company may purchase shares from time to time in open market purchases or privately negotiated transactions. The Company may make all or part of the purchases pursuant to accelerated share repurchases or Rule 10b5-1 plans. The plan has no expiration date. The following table provides a summary of Board of Directors approvals to repurchase the Company's outstanding common shares:

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

Item 3: Defaults Upon Senior Securities

None.

Item 4: Mine Safety Disclosures

Not applicable.

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Item 5: Other Information

Adoption of Quarterly Cash Bonus Program

On November 7, 2018, the Compensation Committee of the Board of Directors of the Company adopted a new cash bonus program in which each of the Chief Executive Officer, Interim Chief Financial Officer, Senior Vice President - Services, Senior Vice President - Systems, Senior Vice President - Software, Senior Vice President - Eurasia Banking, Senior Vice President - Americas Banking, Senior Vice President - Retail, Senior Vice President - Strategy, Chief People Officer, Chief Legal Officer and other leaders of the Company will participate. Under the new program, on a quarterly basis the Company will assess and reward, if warranted, each participant's role in and contribution to the Company's overall transformation and strategy for the past quarter. In the case of the named executive officers, the Compensation Committee will perform that quarterly evaluation and in its discretion, award a cash bonus in an amount up to 25 percent of 150 percent of the executive's annual base salary. Other participants in the program will be evaluated by the Chief Executive Officer and will have the opportunity to receive bonuses at varying amounts. This program is effective immediately and will continue on a quarterly basis at the Compensation Committee's discretion.

Amendment to Mr. Olaf Heyden's Employment Agreement

On November 7, 2018, the Compensation Committee of the Board of Directors of the Company approved an amendment to Mr. Olaf Heyden's employment agreement extending the term to August 31, 2022. Mr. Heyden's employment agreement was previously scheduled to expire on February 28, 2019.

Modification of Amended and Restated Senior Leadership Severance Plan

Effective November 7, 2018, the Company clarified certain provisions of its Amended and Restated Senior Leadership Severance Plan (the "Plan") to specify that the Plan shall continue to apply to eligible executives after the expiration of the Plan. The Plan generally provides severance benefits to executives who are involuntarily terminated other than for cause or upon certain constructive terminations, in each case not in connection with a change in control. The Plan is filed as Exhibit 10.4 to this Quarterly Report.

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Item 6: Exhibits

<u>3.1(i)</u>	<u>Amended and Restated Articles of Incorporation of Diebold, Incorporated – incorporated by reference to Exhibit 3.1(i) to Registrant’s Annual Report on Form 10-K for the year ended December 31, 1994 (Commission File No. 1-4879)</u>
<u>3.1(ii)</u>	<u>Amended and Restated Code of Regulations – incorporated by reference to Exhibit 3.1(ii) to Registrant’s Current Report on Form 8-K filed on February 17, 2017 (Commission File No. 1-4879)</u>
<u>3.2</u>	<u>Certificate of Amendment by Shareholders to Amended Articles of Incorporation of Diebold, Incorporated – incorporated by reference to Exhibit 3.2 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 1996 (Commission File No. 1-4879)</u>
<u>3.3</u>	<u>Certificate of Amendment to Amended Articles of Incorporation of Diebold, Incorporated – incorporated by reference to Exhibit 3.3 to Registrant’s Annual Report on Form 10-K for the year ended December 31, 1998 (Commission File No. 1-4879)</u>
<u>3.4</u>	<u>Certificate of Amendment to Amended Articles of Incorporation of Diebold Nixdorf, Incorporated – incorporated by reference to Exhibit 3.1(i) to Registrant’s Current Report on Form 8-K filed on December 12, 2016 (Commission File No. 1-4879)</u>
<u>3.5</u>	<u>Certificate of Amendment to Amended Articles of Incorporation of Diebold Nixdorf, Incorporated, effective April 26, 2017 – incorporated by reference to Exhibit 3.5 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (Commission File No. 1-4879)</u>
<u>10.1</u>	<u>Independent Contractor Agreement, dated October 1, 2018, between Diebold Nixdorf, Incorporated and Jeffrey Rutherford</u>
<u>10.2</u>	<u>Consulting Agreement, dated October 1, 2018, between Diebold Nixdorf, Incorporated and Christopher Chapman</u>
<u>10.3</u>	<u>Sixth Amendment and Incremental Amendment, dated as of August 31, 2018, by and among Diebold Nixdorf, Incorporated and the subsidiary borrowers party thereto, as borrowers, JP Morgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto – incorporated by reference to Exhibit 10.1 to Registrant’s Current Report on Form 8-K filed on September 4, 2018 (Commission File 1-4879)</u>
<u>10.4</u>	<u>Senior Leadership Severance Plan Amended and Restated Effective November 7, 2018</u>
<u>31.1</u>	<u>Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>31.2</u>	<u>Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>32.1</u>	<u>Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350</u>
<u>32.2</u>	<u>Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

DIEBOLD NIXDORF, INCORPORATED

Date: November 8, 2018

/s/ Gerrard B. Schmid

By: Gerrard B. Schmid
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 8, 2018

/s/ Jeffrey Rutherford

By: Jeffrey Rutherford
Interim Chief Financial Officer
(Principal Financial Officer)

**INDEPENDENT CONTRACTOR AGREEMENT BETWEEN
DIEBOLD NIXDORF, INCORPORATED AND JEFFREY RUTHERFORD**

THIS INDEPENDENT CONTRACTOR AGREEMENT (the "Agreement"), is made and entered into as of October __, 2018 by and between **Diebold Nixdorf, Incorporated**, an Ohio corporation (together with its successors and assigns permitted under this Agreement, the "Company"), and **Jeffrey L. Rutherford** (the "Contractor").

WHEREAS, the Company and the Contractor enter into this Agreement to set forth the terms and conditions upon which the Contractor agrees to serve as independent contractor of the Company in order to provide certain services described further below.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which is mutually acknowledged, the Company and the Contractor (individually a "Party" and together the "Parties") agree as follows:

Article 1. Position, Duties, and Responsibilities.

Beginning on Contractor's first date of service after Contractor has executed this Agreement (the "Effective Date"), Contractor will serve as an independent contractor of the Company, serving in the capacity of interim Chief Financial Officer ("CFO") and reporting to the Chief Executive Officer ("CEO") of the Company. Contractor shall hold and perform the duties and responsibilities customary of an interim CFO as well as additional instructions, duties, responsibilities, or other modifications thereto issued by the CEO. Starting on the Effective Date and continuing until Contractor's final date of service (with this period of service constituting the "Term of Service"), Contractor shall use Contractor's best efforts, skills, and abilities to perform Contractor's assigned duties and responsibilities, and Contractor shall refrain from acting contrary to the Company's best interests.

Article 2. Compensation and Costs.

2.1 Compensation.

In exchange for Contractor's promises in this Agreement and services under this Agreement, the Contractor shall be paid compensation in the amount of fifty thousand dollars (\$50,000) per month during the Term of Service. Contractor shall satisfy the tax responsibilities set forth below in Article 5.2. Contractor shall not be entitled to any additional monetary compensation, bonus, equity payment, leave, insurance, or other monetary or tangible fringe benefits unless such has been specifically approved for Contractor in a writing signed by the CEO.

2.2 Expenses and Costs.

Contractor shall be entitled to reimbursement for certain expenses necessary for the performance of his duties hereunder and incurred during the Term of Service, subject to any terms and conditions issued by the CEO, and subject to all applicable Company policies and practices. Without negating the foregoing, all expenses requested for reimbursement must be reasonable, submitted in writing, and supported by documentation evidencing such expenses.

Article 3. Term of Service, Notice Period, and Minimum Compensation.

3.1 Term of Service.

Contractor's Term of Service with the Company may be terminated by either Party, at any time, with or without cause, subject to Articles 3.2 and 3.3 below. This Agreement does not create any express or implied guarantee of any specific length of Term of Service (subject to Articles 3.2 and 3.3 below). Contractor shall not be entitled or guaranteed to any specific length of Term of Service except when expressly provided in a written agreement signed by both Contractor and the CEO.

3.2 Notice Period.

Although Contractor's Term of Service may be terminated at any time, each Party shall be entitled to one month's notice prior to termination by the other Party. In the event the Term of Service is terminated by the Company, the Company shall have the option to provide this one month notice period in the form of one month's compensation, *i.e.*, by providing Contractor's compensation for this one month period but precluding Contractor from performing any job duties or otherwise acting on the Company's behalf during this period.

3.3 Minimum Compensation.

Notwithstanding Article 3.1, except in the event Contractor is the Party that terminates his Term of Service, Contractor shall receive a minimum of three months' compensation at the rate described above in Article 2.1. Accordingly, if the Company terminates Contractor's Term of Service within three months of the Effective Date, the Company shall provide Contractor with a lump sum payment in the amount of the difference between: (i) three months' compensation at the rate described above in Article 2.1; and (ii) the compensation Contractor otherwise would be entitled to receive for the actual length of Contractor's Term of Service at the rate described above in Article 2.1. This amount shall be provided by the Company within a reasonable time after the cessation of the Term of Service.

3.4 No Additional Obligations.

Except as expressly provided in Articles 3.2 and 3.3 above, Contractor shall not be entitled to any form of severance, change of control payment, equity compensation, or other additional payment, or any other payment not expressly described in this Agreement.

Article 4. Covenants.

The following covenants ("Covenants") will be binding upon Contractor during the Term of Service and shall continue indefinitely after the Term of Service has ended, except where expressly provided below.

4.1 Non-Disclosure of Confidential Information.

Contractor acknowledges that Contractor may review or otherwise receive access to trade secrets, confidential and proprietary business information of the Company, and other sensitive or protected information of the Company, including, but not limited - to , non-public financial information, business strategies, customer lists (including lists of potential customers), sources of supply, processes, plans, materials, pricing information, internal memoranda, marketing plans, internal policies, and products and services that may be developed from time to time by the Company and its agents or employees, including the Contractor, with all of the foregoing constituting "Confidential information." Confidential Information shall not include information that is in the public domain (other than as a result of a breach of this Agreement), approved for release by an authorized official of the Company, or lawfully obtained from third parties who are not bound by a confidentiality agreement with the Company.

Contractor acknowledges that it is the policy of the Company to maintain as secret and confidential all Confidential Information, and that Confidential Information has been and will be developed at substantial cost and effort to the Company. Contractor shall not at any time, directly or indirectly, divulge, furnish, or make accessible to any person, firm, corporation, association, or other entity (except as may be required in the regular course of the Contractor's service under this Agreement), nor use in any manner, either during the Term of Service or after termination for any reason, any Confidential Information, or cause any such Confidential Information of the Company to enter the public domain. Contractor must safeguard such Confidential Information from unauthorized use, access, or disclosure using at least the degree of care Contractor uses to protect Contractor's own most sensitive information and no less than a reasonable degree of care. Contractor shall promptly notify the CEO or the CEO's designee of any unauthorized use or disclosure of Confidential Information and use Contractor's best efforts to prevent further use or disclosure.

4.2 Non-Solicitation of Employees and Contractors.

Contractor agrees that during the Term of Service and for a period of six (6) months following the Term of Service, whether termination is by the Contractor or by the Company, regardless of the reasons therefore, the Contractor will not directly or indirectly: (a) employ, retain, or solicit for employment, or participate in any other person, firm, or other entity employing, retaining, or soliciting, any person who is an employee or contractor of the Company; or (b) otherwise induce any employee or contractor of the Company to terminate his, her, or its relationship with the Company. In the event that the scope of the restrictions in this Article 4.2 are found by a court to be overly broad, Contractor agrees that such court should reform the

restrictions by limiting them to the maximum lawful scope.

4.3 Non-Disparagement.

Contractor agrees not to make any statements, written or verbal, or cause, encourage, or allow others to make any statements, written or verbal, that defame, disparage, or in any way criticize the reputation, practices, conduct, or any other aspect of the Company or any subsidiary, affiliate, customer, business partner, or any official, employee, agent, contractor, or representative of any such entity.

4.4 Company Property.

Contractor agrees that, at the end of the Term of Service, Contractor shall promptly return to the Company any and all Company property in Contractor's possession, custody, or control including, but not limited to, any written or electronic documents, devices, storage drives, keys, or other materials. In the event Contractor has possession, custody, or control of any copies or duplicates of written or electronic documents, after Contractor has confirmed with the CEO or the CEO's designee that the Company possesses all necessary versions or copies of the same, Contractor shall either return to the Company or permanently delete or destroy any additional copies in Contractor's possession, custody, or control.

4.5 Remedies for Breach.

Contractor agrees that the Covenants above are essential for the protection of the Company; that a breach of any Covenant would cause the Company and its owners and officials irreparable damage for which damages at law would not be an adequate remedy; and that, in addition to damages and other remedies to which the Company would otherwise be entitled, it will be entitled to whatever injunctive relief is appropriate for any such breach.

Article 5. Independent Contractor

5.1 Status as Independent Contractor.

The Parties acknowledge and agree that Contractor shall at all times be an independent contractor of the Company. Contractor is neither an employee nor an agent of the Company for any purpose whatsoever. Contractor agrees that no statutory insurance, including, without limitation, workers' compensation, unemployment insurance or state disability insurance, shall be carried on behalf of Contractor by the Company. Contractor shall not enter into any agreement or obligation on behalf of the Company without the prior written approval signed by the CEO. Absent prior written approval signed by the CEO, Contractor shall not have any authority to act for or to bind the Company in any way, or to represent that the Company is in any way responsible for the acts or omissions of Contractor.

5.2 Tax Responsibilities.

The Parties acknowledge and agree that no income, social security, or other taxes or amounts shall be withheld or accrued by the Company for Contractor's benefit, and that to the extent required by applicable tax laws, Contractor shall report Contractor's income under this Agreement and timely pay any and all taxes associated therewith to the applicable tax authorities. Without limiting the generality of the foregoing, if the Company is audited by any federal or state tax authority and the withholding of taxes (or lack of withholding, as the case may be) by the Company becomes an issue in such audit, Contractor will cooperate with the Company and provide whatever assistance is reasonably requested by the Company with respect to such audit, including, if requested by the tax authority and/or the Company, providing to the tax authority copies of Contractor's personal income tax returns for the period under audit.

Article 6. Miscellaneous.

The provisions in this Article 6 survive termination of this Agreement and shall otherwise continue in effect after the Term of Service.

6.1 Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business and/or assets of the Company whether by purchase, merger, consolidation, reorganization, or otherwise (and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement). This Agreement also may be assigned by the Company at its sole discretion (in which case such assignee shall thereafter be deemed the "Company" for the purposes of this Agreement).

This Agreement is not assignable by Contractor. Contractor may not use, employ, or hire any third party to assist Contractor in performing Contractor's services under this Agreement, except if the CEO has expressly permitted Contractor to do so in a signed writing.

6.2 Entire Agreement; Modification; No Waiver.

This Agreement contains the entire agreement between Contractor and the Company regarding the subjects addressed in the Agreement, and the Agreement replaces any and all prior or contemporaneous oral or written agreements or understandings regarding the subjects in this Agreement, including any statements, representations, and promises by either Party. No modification or amendment to this Agreement will be effective and binding unless by a written agreement signed by both Contractor and the CEO. No waiver by either Party of any breach by the other Party of any condition or provision contained in this Agreement to be performed by such other Party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time.

6.3 Governing Law.

This Agreement shall be governed in accordance with the laws of Ohio without reference to principles of conflict of laws.

6.4 Indemnification.

Contractor shall indemnify, defend, and hold harmless the Company, its officers, managers, employees, and agents, from and against any and all losses, harm, or liability arising out of, relating to, or resulting from: (i) a material breach by Contractor of any of Contractor's Covenants or obligations under this Agreement; and (ii) any obligation actually or allegedly imposed by law on the Company to pay any taxes including, without limitation, withholding taxes, social security, unemployment, or disability insurance, or similar items in connection with compensation received by Contractor pursuant to this Agreement.

6.5 Headings.

The headings of the Articles contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

For the Company

For the Contractor

By: /s/ Patricia Lang
Patricia Lang
Chief People Officer

By: /s/ Jeffrey Rutherford
Jeffrey Rutherford

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement"), is made and entered into as of October 1, 2018 by and between **Diebold Nixdorf, Incorporated**, an Ohio corporation (together with its successors and assigns permitted under this Agreement, the "Company"), and **Christopher Chapman** ("Chapman").

WHEREAS, Chapman served as the Chief Financial Officer of the Company until October 1, 2018 (the "End Date");

WHEREAS, in connection with his separation from employment with the Company, the Company and Chapman agree that Chapman will provide services as an independent contractor on a transition basis through January 15, 2019 and enter into this Agreement to set forth the terms and conditions upon which those services will be provided;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which is mutually acknowledged, the Company and Chapman (individually a "Party" and together the "Parties") agree as follows:

Article I. Responsibilities.

From October 2, 2018 (the "Start Date") through and including January 15, 2019 (the "Term"), Chapman shall advise and assist in the transition following his departure by providing support to the finance and accounting teams as requested. Chapman shall report to and receive instruction from the Chief Financial Officer (including any Interim Chief Financial Officer) and, unless otherwise directed, shall provide all support through Chief Financial Officer (including any Interim Chief Financial Officer). During the Term, Chapman shall devote his business time and attention to providing these transition services and shall use his best efforts, skills, and abilities to promote the Company's interests. Chapman shall work remotely unless otherwise requested by Chief Financial Officer (including any Interim Chief Financial Officer). During the Term, Chapman will render services of no more than twenty percent (20%) of the average level of services Chapman provided to the Company over the thirty-six (36) month period immediately preceding the Start Date; and, therefore, will have a "separation from service" within the meaning of Internal Revenue Code Section 409A on the End Date.

1.1 Payment.

In exchange for Chapman's promises in this Agreement and services under this Agreement during the Term, Chapman shall be paid a one-time lump sum payment of three hundred thousand dollars (\$300,000), which shall be paid within twenty one (21) day following the end of the Term. Chapman shall satisfy the tax responsibilities set forth below in Article 3.2. In addition, Chapman shall maintain the February 2017 Synergy Grant that was provided to him, and such Synergy Grant will continue in effect and be payable pursuant to its terms as if Chapman had not separated from the Company. Chapman shall not be entitled to any additional monetary compensation, welfare benefits, change in control, bonus, equity payment, leave, insurance, or other monetary or tangible fringe benefits.

1.2 Expenses.

Contractor is responsible, at Contractor's sole expense, for obtaining any equipment, materials, or supplies, or for any additional expenses or costs, that are necessary to perform Contractor's services and responsibilities under this Agreement, except where the Company already has obtained and provided such to Contractor, or where the Company would have incurred such expenses or costs regardless of Contractor's services under this Agreement.

Article 2. Term of Service and Covenants.

2.1 Term of Service.

Chapman's Term under this Agreement may be terminated by either Party, at any time, with or without cause. This Agreement does not create any express or implied guarantee that the Term will be of any specific length.

2.2 Covenants.

Chapman shall continue to comply with and be subject to all covenants set forth in the Senior Leadership Severance Plan in effect at the date of his separation, including non-competition, non-solicitation and confidentiality covenants. Further, during the Term, Chapman agrees not to make any statements, written or verbal, or cause, encourage, or allow others to make any statements, written or verbal, that defame, disparage, or in any way criticize the reputation, practices, conduct, or any other aspect of the Company or any subsidiary, affiliate, customer, business partner, or any official, employee, agent, or representative of any such entity.

2.3 Company Property.

At the end of the Term, Chapman shall promptly return to the Company any and all Company property in his possession, custody, or control including, but not limited to, any written or electronic documents, devices, storage drives, keys, or other materials. In the event Chapman has possession, custody, or control of any copies or duplicates of written or electronic documents, after Chapman has confirmed with Chief Financial Officer (including any Interim Chief Financial Officer) or his designee that the Company possesses all necessary versions or copies of the same, Chapman shall either return to the Company or permanently delete or destroy any additional copies in his possession, custody, or control.

2.4 Remedies for Breach.

Chapman agrees that the covenants referenced above are essential for the protection of the Company; that a breach of any covenant would cause the Company and its owners and officials irreparable damage for which damages at law would not be an adequate remedy; and that, in addition to damages and other remedies to which the Company would otherwise be entitled, it will be entitled to whatever injunctive relief is appropriate for any such breach. Chapman further agrees that any payments due under this Agreement are contingent upon his performance of the duties set forth herein, including the covenants.

Article 3. Independent Contractor

3.1 Status as Independent Contractor.

The Parties acknowledge and agree that Chapman shall at all times during the Term be an independent contractor of the Company. Chapman is neither an employee nor an agent of the Company for any purpose whatsoever. Chapman agrees that no statutory insurance, including, without limitation, workers' compensation, unemployment insurance or state disability insurance, shall be carried on behalf of Chapman by the Company. Chapman shall not enter into any agreement or obligation on behalf of the Company without the prior written approval signed by Chief Financial Officer (including any Interim Chief Financial Officer). Absent prior written approval signed by Chief Financial Officer (including any Interim Chief Financial Officer), Chapman shall not have any authority to act for or to bind the Company in any way, or to represent that the Company is in any way responsible for the acts or omissions of Chapman.

3.2 Tax Responsibilities.

The Parties acknowledge and agree that no income, social security, or other taxes or amounts shall be withheld or accrued by the Company for Chapman's benefit, and that to the extent required by applicable tax laws, Chapman shall report Chapman's income under this Agreement and timely pay any and all taxes associated therewith to the applicable tax authorities. Without limiting the generality of the foregoing, if the Company is audited by any federal or state tax authority and the withholding of taxes (or lack of withholding, as the case may be) by the Company becomes an issue in such audit, Chapman will cooperate with the Company and provide whatever assistance is reasonably requested by the Company with respect to such audit, including, if requested by the tax authority and/or the Company, providing to the tax authority copies of Chapman's personal income tax returns for the period under audit.

Article 4. Miscellaneous.

The provisions in this Article 4 survive termination of this Agreement and shall continue indefinitely after the Term has ended.

4.1 Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business and/or assets of the Company whether by purchase, merger, consolidation, reorganization, or otherwise (and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement). This Agreement also may be assigned by the Company at its sole discretion (in which case such assignee shall thereafter be deemed the "Company" for the purposes of this Agreement). This Agreement is not assignable by Chapman.

4.2 Entire Agreement; Modification; No Waiver.

This Agreement contains the entire agreement between Chapman and the Company regarding the subjects addressed in the Agreement, and the Agreement replaces any and all prior or contemporaneous oral or written agreements or understandings regarding the subjects in this Agreement, including any statements, representations, and promises by either Party. No modification or amendment to this Agreement will be effective and binding unless by a written

agreement signed by both Chapman and the Company. No waiver by either Party of any breach by the other Party of any condition or provision contained in this Agreement to be performed by such other Party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time.

4.3 Indemnification.

Chapman shall indemnify, defend, and hold harmless the Company, its officers, managers, employees, and agents, from and against any and all losses, harm, or liability arising out of, relating to, or resulting from: (i) a material breach by Chapman of any of Chapman's covenants or obligations under this Agreement; (ii) any negligent, grossly negligent, reckless, or willful misconduct of Chapman or any of Chapman's agents or representatives; and (iii) any obligation actually or allegedly imposed by law on the Company to pay any taxes including, without limitation, withholding taxes, social security, unemployment, or disability insurance, or similar items in connection with compensation received by Chapman pursuant to this Agreement.

4.4 Governing Law.

This Agreement shall be governed in accordance with the laws of Ohio without reference to principles of conflict of laws.

4.5 Headings.

The headings of the Articles contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

* * * * *

IN **WITNESS** WHEREOF, the undersigned have executed this Agreement as of the date first written above.

For the Company

For the Contractor

By: /s/ Patricia Lang
Chief People Officer
October 3, 2018

By: /s/ Christopher Chapman
Christopher Chapman
October 2, 2018

Senior Leadership Severance Plan

Amended and Restated Effective November 7, 2018

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Diebold Nixdorf, Incorporated

Senior Leadership Severance Plan

Article 1. Establishment and Term of the Plan

1.1 Establishment of the Plan. Diebold Nixdorf, Incorporated (hereinafter referred to as the "Company") hereby establishes a severance plan to be known as the "Diebold Nixdorf, Incorporated Senior Leadership Severance Plan" (the "Plan") as such plan has been amended and restated effective November 7, 2018. to incorporate amendments made effective on November 7, 2018. The Plan provides severance benefits to certain employees of the Company ("Executives") upon certain terminations of employment from the Company. Eligibility to participate in the Plan is determined by career level and is subject to approval by the Compensation Committee of the Board. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management to their assigned duties without distraction in circumstances arising from the possibility of certain terminations.

1.2 Initial Term. This Plan will commence on January 1, 2012 (the "Effective Date") and shall continue in effect for a period of three (3) years (the "Initial Term").

1.3 Successive Periods. The term of this Plan shall automatically be extended for one (1) additional year at the end of the Initial Term, and then again after each successive one (1) year period thereafter (each such one (1) year period following the Initial Term is referred to as a "Successive Period"). However, the Committee may terminate this Plan entirely or terminate any individual Executive's participation in the Plan at the end of the Initial Term, or at the end of any Successive Period thereafter, by giving all Executives (or select Executives, if terminating select Executives' participation in the Plan) written notice of intent not to renew, delivered at least three (3) months prior to the end of such Initial Term or Successive Period. If such notice is properly delivered by the Company, this Plan, along with all corresponding rights, duties, and covenants, shall automatically expire at the end of the Initial Term or

Successive Period then in progress; provided, however, that the Plan provisions shall continue to apply to Grandfathered Executives after such expiration date.

Article 2. Definitions

Whenever used in this Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized.

- (a) **“Base Salary”** means the Executive’s annual rate of salary, whether or not deferred as of the Effective Date of Termination.
- (b) **“Beneficiary”** means the persons or entities designated or deemed designated by the Executive pursuant to Section 7.5 herein.
- (c) **“Board”** means the Board of Directors of the Company.
- (d) **“Cause”** shall mean the Executive’s”
 - (i) Willful failure to substantially perform his duties with the Company (other than any such failure resulting from the Executive’s Disability), after a written demand for substantial performance is delivered to the Executive that specifically identifies the manner in which the Company believes that the Executive has not substantially performed his duties, and the Executive has failed to remedy the situation with fifteen (15) business days of such written notice from the Company;
 - (ii) Willful gross negligence in the performance of the Executive’s duties;
 - (iii) Conviction of, or plea of guilty or nolo contendere, to any felony or a lesser crime or offense which, in the reasonable opinion of the Company, could adversely affect the business or reputation of the Company;
 - (iv) Willful engagement in conduct that is demonstrably and materially injurious to the Company, monetarily or otherwise;
 - (v) Willful violation of any provision of the Company’s code of conduct;
 - (vi) Willful violation of any of the covenants contained in Article 4 of this Plan, as applicable;
 - (vii) Act of dishonesty resulting in, or intended to result in, personal gain at the expense of the Company; or
 - (viii) Engaging in any act that is intended to harm, or may be reasonably expected to harm, the reputation, business prospects, or operations of the Company.

For purposes of this paragraph (d), no act or omission by the Executive shall be considered “willful” unless it is done or omitted in bad faith or without reasonable belief that the Executive’s action or omission was in the best interests of the Company. Any act or failure to act based upon: (i) authority given pursuant to a resolution duly adopted by the Board; or (ii) advice of counsel for the Company, shall be conclusively presumed to be done or omitted to be done by the Executive in good faith and in the best interests of the Company.

For purposes of this Plan, there shall be no termination for Cause pursuant to subsections (i) through (viii) above, unless a written notice, containing a detailed description of the grounds constituting Cause hereunder, is delivered to the Executive stating the basis

for the termination. Upon receipt of such notice, the Executive shall be given thirty (30) days to fully cure (if such violation, neglect, or conduct is capable of cure) the violation, neglect, or conduct that is the basis of such claim.

- (e) **"Code"** means the United States Internal Revenue Code of 1986, as amended, and any successors thereto.
- (f) **"Committee"** means the Compensation Committee of the Board or any other committee appointed by the Board to perform the functions of the Compensation Committee.
- (g) **"Company"** means Diebold Nixdorf, Incorporated, an Ohio corporation, or any successor thereto as provided in Article 6 herein.
- (h) **"Disability"** shall have the same meaning ascribed to that word in the long-term disability plan in effect for senior executives of the Company and its Subsidiaries.
- (i) **"Effective Date"** means the commencement date of this Plan as specified in Section 1.2 of this Plan.
- (j) **"Effective Date of Termination"** means the date on which a Qualifying Termination occurs, as defined hereunder, which triggers the payment of Severance Benefits hereunder.
- (k) **"Good Reason"** shall mean the occurrence of any one or more of the following without the Executive's express written consent:
 - (i) The Company materially reduces the amount of the Executive's then current Base Salary or the target for his annual bonus; or
 - (ii) The Company requires the Executive to be based at a location in excess of fifty (50) miles from the location of the Executive's principal job location or office as of the Effective Date; or
 - (iii) The failure of the Company to obtain in writing the obligation to perform or be bound by the terms of this Plan by any successor to the Company or a purchaser of all or substantially all of the assets of the Company; or
- (i) Any other action or inaction by the Company that constitutes a material breach by the Company of the terms and conditions of this Plan.

For purposes of this Plan, neither the change in the Executive's title, authority, duties, or responsibilities nor the assignment of duties to the Executive that are inconsistent with his position shall constitute "Good Reason" and further, the Executive is not entitled to assert that his termination is for Good Reason unless the Executive gives the Company written notice of the event or events that are the basis for such claim within ninety (90) days after the event or events occur, describing such claim in reasonably sufficient detail to allow the Company to address the event or events and a period of not less than thirty (30) days after to cure the alleged condition.
- (l) **"Grandfathered Executive"** shall mean an Executive who was an Executive prior to December 31, 2018.
- (m) **"Notice of Termination"** shall mean a written notice that shall indicate the specific termination provision in this Plan relied upon, and shall set forth in reasonable detail the facts

and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

- (n) **"Qualifying Termination"** means a termination of employment under the following circumstances:
- (i) An involuntary termination of the Executive's employment by the Company for reasons other than Cause pursuant to a Notice of Termination delivered to the Executive by the Company; or
 - (ii) A voluntary termination by the Executive for Good Reason pursuant to a Notice of Termination delivered to the Company by the Executive.

Termination of employment shall have the same meaning as "separation from service" within the meaning of Treasury Regulation §1.409A-1(h).

- (o) **"Severance Benefits"** means the payment of severance compensation as provided in Article 3 herein.

Article 3. Severance Benefits

3.1 Right to Severance Benefits and Impact on Long-Term Incentives.

- (a) **Severance Benefits.** The Executive shall be entitled to receive from the Company Severance Benefits, as described in Section 3.2 or, if applicable, Section 3.4 herein, if a Qualifying Termination of the Executive's employment has occurred.
- (b) **No Severance Benefits.** The Executive shall not be entitled to receive Severance Benefits if the Executive's employment with the Company ends for reasons other than a Qualifying Termination.
- (c) **General Release and Acknowledgement of Restrictive Covenants.** As a condition to receiving Severance Benefits under Section 3.2 or, if applicable, Section 3.4 herein, no later than sixty (60) days after the date of the Executive's Qualifying Termination, (i) the Executive shall be obligated to execute a general release of claims in favor of the Company, its current and former affiliates and stockholders, and the current and former directors, officers, employees, and agents of the Company in a form acceptable to the Company, (ii) the Executive must execute a notice acknowledging the restrictive covenants in Article 4, and (iii) the Executive's general release shall have become irrevocable.

3.2 Description of Severance Benefits. In the event the Executive becomes entitled to receive Severance Benefits as provided in Section 3.1(a) herein, the Company shall provide the Executive with the following, subject to Section 3.2(g) herein:

- (a) A lump-sum amount, paid sixty (60) calendar days following the Effective Date of Termination, equal to the Executive's unpaid Base Salary, accrued vacation pay, unreimbursed business expenses, and all other items earned by and owed to the Executive through and including the Effective Date of Termination; provided that if the sixty (60) day period begins in an Executive's taxable year and ends in the Executive's subsequent taxable year, the payment will be made in the subsequent taxable year.
- (b) A lump-sum amount, paid within the sixty (60) calendar days following the Effective Date of Termination, equal to: (i) two (2) for Grade 100 and 90 Executives regardless of date of hire, (ii) one and one-half (1.5) for Grade 85 Executives regardless of date of hire, (iii) one and one-quarter for Grade 80 Executives with a date of hire after September 1, 2014, (iv) one and

one-half (1.5) for Grade 80 Executives with a date of hire prior to August 31, 2014, and (v) one (1) for Grade 75 and 70 Executives regardless of date of hire, multiplied by the sum of the following: (A) the Executive's Base Salary, and (B) the Executive's annual target bonus opportunity in the year of termination, with the exception of Grade 70 with a date of hire after September 1, 2014 which is one (1) times (A) the Executive's Base Salary only. Provided that if the sixty (60) day period begins in an Executive's taxable year and ends in the Executive's subsequent taxable year, the payment will be made in the subsequent taxable year.

- (c) A lump-sum amount, if any, paid within two and one-half (2 ½) months after the end of the calendar year that includes the Effective Date of Termination, equal to the actual bonus that would have been payable to the Executive for the calendar year that includes the Effective Date of Termination based on actual performance if the Executive had remained employed through the end of such calendar year; provided however, that such amount shall be adjusted on a pro rata basis based on the number of days the Executive was actually employed during the bonus plan year in which the Qualifying Termination occurs.
 - (d) Continuation of the Executive's medical, dental, vision, and Company-paid basic life insurance coverage for: (i) one hundred and four weeks (104) for Grade 100 and 90 Executives regardless of date of hire, or (ii) seventy-eight (78) weeks for Grade 85 and 80 Executives, (iii) sixty-five (65) weeks for Grade 80 Executives with a date of hire after September 1, 2014, and (iv) fifty-two (52) weeks for Grade 75 and 70 Executives. These benefits shall be provided by the Company to the Executive beginning immediately upon the Effective Date of Termination. Such benefits shall be provided to the Executive at the same coverage level and cost to the Executive as in effect immediately prior to the Executive's Effective Date of Termination. Notwithstanding the foregoing, if the Executive is a "specified employee" within the meaning of Section 409A of the Code, then the benefits provided under this Section 3.2(d) which the Company determines constitute the payment of deferred compensation (within the meaning of Section 409A of the Code) shall be provided at the Executive's sole cost during the six (6) month period immediately after the Effective Date of Termination, and as soon as administratively practicable following the expiration of such six (6) month period, the Company shall reimburse the Executive for the portion of such costs payable by the Company hereunder.
- Notwithstanding the above, these medical, dental, vision and Company-paid basic life insurance benefits shall be discontinued prior to the end of the stated continuation period in the event the Executive receives substantially similar benefits from a subsequent employer, as determined solely by the Company in good faith. For purposes of enforcing this offset provision, the Executive shall be deemed to have a duty to keep the Company informed as to the terms and conditions of any subsequent employment and the corresponding benefits earned from such employment, and shall provide, or cause to provide, to the Company in writing correct, complete, and timely information concerning the same.
- (e) Treatment of outstanding long-term incentives shall be in accordance with Section 3.3 herein.
 - (f) The Company will assist the Executive in finding other employment opportunities by providing to him, at the Company's limited expense, professional outplacement services through the provider of the Company's choice. Such outplacement services shall terminate when the Executive finds other employment. However, in no event shall such outplacement services continue for more than two (2) years following the Effective Date of Termination.
 - (g) Notwithstanding anything in this Plan to the contrary, if the Executive constitutes a "specified employee" as defined and applied in Section 409A of the Code, as of the Effective Date of Termination, to the extent payments made under Sections 3.2(a), (b), or (c) constitute deferred compensation (after taking into account any applicable exemptions from Section 409A of the Code), and to the extent required by Section 409A of the Code, payments may

not commence to be paid to Executive until the earlier of: (i) the first day following the six (6) month anniversary of the Executive's Effective Date of Termination, or (ii) the Executive's date of death; provided, however, that any payments delayed during this six (6) month period shall be paid in a lump sum as soon as administratively practicable following the six (6) month anniversary of the Executive's Effective Date of Termination. For purposes of Section 409A of the Code, each payment due under Sections 3.2(a), (b), and (c) immediately above shall be considered a separate payment.

For purposes of the preceding paragraph, and to the extent permitted by Section 409A of the Code, during the six (6) months following the Executive's Effective Date of Termination, the Company shall pay any amounts required to be paid by this Section 3.2 in accordance with the payment schedules specified in this Section 3.2 to the extent that such payments would not exceed the limitations of the "short-term deferral" and "separation pay plan" exceptions provided by Treasury Regulations and other guidance issued with respect to Code Section 409A. Any payments in excess of these limitations shall be paid after the six (6) month period described in accordance with the preceding paragraph.

3.3 Impact on Long-Term Incentives. Upon a Qualifying Termination that entitles the Executive to Severance Benefits as provided in Section 3.1(a) herein:

- (a) All outstanding and unvested stock options and stock appreciation rights ("SARs") shall immediately vest and shall remain exercisable for a period of twelve (12) months from the Effective Date of Termination or the last day of the option term, whichever occurs first. Additionally, from time to time, the Company may declare "blackout" periods with respect to Executive and/or designated employees of the Company during which Executive and/or such employees are prohibited from engaging in certain transactions in Company securities. The scheduled expiration date of stock options and SARs pursuant to this subsection shall automatically, and without further notice to the option/SAR holder, be extended by one business day for each business day of the blackout period applied to the option/SAR holder, but in no case longer than the option term..
- (b) All restrictions on unvested shares of restricted stock and unvested restricted stock units shall immediately lapse, with such shares and units becoming nonforfeitable on a pro rata basis, as determined under this subparagraph (b). The pro rata award shall equal the product of (x) and (y) where (x) is the number of restricted stock shares or units subject to the award, and (y) is a fraction, the numerator of which is the number of calendar months that the Executive was employed by the Company during the restriction period (with any partial months counting as a full month for this purpose) and the denominator of which is the number of months in the restriction period.
- (c) Unearned performance shares and performance units shall be paid out on a pro rata basis, as determined under this subparagraph (c). The pro rata award shall equal the product of (x) and (y) where (x) is the award the Executive would have earned based on actual performance measured as of the end of the respective performance period and (y) is a fraction, the numerator of which is the number of calendar months that the Executive was employed by the Company during the performance period (with any partial month counting as a full month for this purpose) and the denominator of which is the number of months in the performance period.

If there is any inconsistency between the terms of the Plan and the terms of a separate outstanding award agreement, the Plan's terms shall completely supersede and replace the conflicting terms of the underlying award agreement.

3.4 Executives with less than one year of Service

Notwithstanding anything to the contrary in this Plan, with respect to any Executive hired on or after December 31, 2013, the Severance Benefits that such Executive may be entitled to upon a Qualifying Termination shall be limited as set forth in this Section 3.4 in the event the Effective Date of Termination for such Executive occurs prior to the first anniversary of the date on which such Executive became an employee of the Company. In the event the Executive under the circumstances described in the preceding sentence becomes entitled to receive Severance Benefits as provided in Section 3.1(a) herein, the provisions of Section 3.2 and Section 3.3 shall not apply, and instead the Company shall provide the Executive with the following, subject to Section 3.4(g) herein:

- (a) A lump sum amount, paid within sixty (60) calendar days following the Effective Date of Termination, equal to the Executive's unpaid Base Salary, accrued vacation pay, unreimbursed business expenses, and all other items earned by and owed to the Executive through and including the Effective Date of Termination; provided that if the sixty (60) day period begins in an Executive's taxable year and ends in the Executive's subsequent taxable year, the payment will be made in the subsequent taxable year.
- (b) A lump sum amount, paid within sixty (60) calendar days following the Effective Date of Termination, equal to: (i) the number of full calendar months from the date on which the Executive became an employee of the Company until the Effective Date of Termination (but in any event, no less than three (3) months), multiplied by (ii) an amount equal to (A) the sum of (x) the Executive's Base Salary, and (y) the Executive's annual target bonus opportunity in the year of termination, divided by (B) twelve (12) with the exception that Executives at a Grade 70 with a date of hire after September 1, 2014 receive one (1) times the Executive's monthly base salary only multiplied by the number of full calendar months from the date on which the Executive became an employee of the Company until the Effective Date of Termination (but in any event, no less than three (3) months); in all instances, if the sixty (60) day period begins in an Executive's taxable year and ends in the Executive's subsequent taxable year, the payment will be made in the subsequent taxable year.
- (c) **[Intentionally omitted.]**
- (d) Continuation of the Executive's medical, dental, and vision insurance coverage for a period of time equal to the number of full calendar months from the date on which the Executive became an employee of the Company until the Effective Date of Termination (but in any event, no less than three (3) months). These benefits shall be provided by the Company to the Executive beginning immediately upon the Effective Date of Termination. Such benefits shall be provided to the Executive at the same coverage level and cost to the Executive as in effect immediately prior to the Executive's Effective Date of Termination. Notwithstanding the foregoing, if the Executive is a "specified employee" within the meaning of Section 409A of the Code, then the benefits provided under this Section 3.4(d) which the Company determines constitute the payment of deferred compensation (within the meaning of Section 409A of the Code) shall be provided at the Executive's sole cost during the six (6) month period immediately after the Effective Date of Termination, and as soon as administratively practicable following the expiration of such six (6) month period, the Company shall reimburse the Executive for the portion of such costs payable by the Company hereunder.

Notwithstanding the above, these medical, dental, and vision insurance benefits shall be discontinued prior to the end of the stated continuation period in the event the Executive receives substantially similar benefits from a subsequent employer, as determined solely by the Company in good faith. For purposes of enforcing this offset provision, the Executive shall be deemed to have duty to keep the Company informed as to the terms and conditions of any subsequent employment and the corresponding benefits earned from such employment, and shall provide, or cause to provide, to the Company in writing correct, complete, and timely information concerning the same.

- (e) Treatment of outstanding long-term incentives shall be in accordance with the terms and conditions of the award agreements and plan pursuant to which the incentive was granted. Section 3.3 shall have no applicability.
- (f) **[Intentionally omitted.]**
- (g) Notwithstanding anything in this Plan to the contrary, if the Executive constitutes a "specified employee" as defined and applied in Section 409A of the Code, as of the Effective Date of Termination, to the extent payments made under Sections 3.4(a) or (b) constitute deferred compensation (after taking into account any applicable exemptions from Section 409A of the Code), and to the extent required by Section 409A of the Code, payments may not commence to be paid to Executive until the earlier of: (i) the first day following the six (6) month anniversary of the Executive's Effective Date of Termination or, (ii) the Executive's date of death; provided, however, that any payments delayed during this six (6) month period shall be paid in a lump sum as soon as administratively practicable following the six (6) month anniversary of the Executive's Effective Date of Termination. For purposes of Section 409A of the Code, each payment due under Section 3.4(a) and (b) immediately above shall be considered a separation payment.

For purposes of the preceding paragraph, and to the extent permitted by Section 409A of the Code, during the six (6) months following the Executive's Effective Date of Termination, the Company shall pay any amounts required to be paid by this Section 3.4 in accordance with the payment schedules specified in this Section 3.4 to the extent that such payments would not exceed the limitations of the "short-term deferral" and "separation pay plan" exceptions provided by Treasury Regulations and other guidance issued with respect to Code Section 409A. Any payments in excess of these limitations shall be paid after the six (6) month period described in accordance with the preceding paragraph.

Article 4. Confidentiality and Noncompetition

In the event the Executive becomes entitled to receive Severance Benefits as provided in Section 3.2 or, if applicable, Section 3.4, herein, the following shall apply:

- (a) **Noncompetition.** During the Executive's Employment and for a period of: (i) two (2) years for Grade 100 and 90 Executives regardless of date of hire, or (ii) one and one-half (1.5) years for Grade 85 and 80 Executives, (iii) one and one-quarter (1.25) years for Grade 80 Executives with a date of hire after September 1, 2014, and (iv) one (1) year for Grade 75 and 70 Executives after the Effective Date of Termination, the Executive shall not: (A) directly or indirectly act in concert or conspire with any person employed by the Company in order to engage in or prepare to engage in or to have a financial or other interest in any business or any activity that he knows (or reasonably should have known) to be directly competitive with the business of the Company as then being carried on; or (B) serve as an employee, agent, partner, shareholder, director, or consultant for, or in any other capacity participate, engage,

or have a financial or other interest in any business or any activity that he knows (or reasonably should have known) to be directly competitive with the business of the Company as then being carried on (provided, however, that notwithstanding anything to the contrary contained in this Plan, the Executive may own up to two percent (2%) of the outstanding shares of the capital stock of a company whose securities are registered under Section 12 of the Securities Exchange Act of 1934).

- (b) **Confidentiality.** The Company has advised the Executive and the Executive acknowledges that it is the policy of the Company to maintain as secret and confidential all Protected Information (as defined below), and that Protected Information has been and will be developed at substantial cost and effort to the Company. The Executive shall not at any time, directly or indirectly, divulge, furnish, or make accessible to any person, firm, corporation, association, or other entity (otherwise than as may be required in the regular course of the Executive's employment), nor use in any manner, either during the Executive's employment or after termination for any reason, any Protected Information, or cause any such Protected Information of the Company to enter the public domain.

For purposes of this Plan, "Protected Information" means trade secrets, confidential and proprietary business information of the Company, and any other information of the Company, including, but not limited to, customer lists (including potential customers), sources of supply, processes, plans, materials, pricing information, internal memoranda, marketing plans, internal policies, and products and services that may be developed from time to time by the Company and its agents or employees, including the Executive; provided, however, that information that is in the public domain (other than as a result of a breach of this Plan), approved for release by the Company or lawfully obtained from third parties who are not bound by a confidentiality agreement with the Company, is not Protected Information.

- (c) **Nonsolicitation.** During the Executive's employment and for a period of: (i) three (3) years for Grade 100 and 90 Executives (ii) two and one-half (2 ½) years for Grade 85 and 80 Executives, and (iii) two (2) year for Grade 75 and 70 Executives after the Effective Date of Termination, the Executive shall not: (A) employ or retain or solicit for employment or arrange to have any other person, firm, or other entity employ or retain or solicit for employment or otherwise participate in the employment or retention of any person who is an employee or consultant of the Company; or (B) solicit suppliers or customers of the Company or induce any such person to terminate his, her, or its relationship with the Company.
- (d) **Cooperation.** Executive agrees to cooperate with the Company and its attorneys in connection with any and all lawsuits, claims, investigations, or similar proceedings that have been or could be asserted at any time arising out of or related in any way to Executive's employment by the Company or any of its subsidiaries.
- (e) **Nondisparagement.** At all times, the Executive agrees not to disparage the Company or otherwise make comments harmful to the Company's reputation.
- (f) **Severability.** If any provision of Article 4 is held to be unenforceable, then this Agreement will be deemed amended to the extent necessary to render the otherwise unenforceable provision, and the rest of Article 4, valid and enforceable. If a court declines to amend the provisions of Article 4 as provided herein, the invalidity or unenforceability of any provision in Article 4 shall not affect the validity or enforceability of the remaining provisions in Article 4, which shall be enforced as if the offending provision had not been included in this Plan.

Article 5. Legal Fees and Notice

5.1 Payment of Legal Fees. Except as otherwise agreed to by the parties, the Company shall pay the Executive for costs of litigation or other disputes including, without limitation, reasonable attorneys' fees incurred by the Executive in asserting any claims or defenses under this Plan, except that

the Executive shall bear his own costs of such litigation or disputes (including, without limitation, attorneys' fees) if the court (or arbitrator) finds in favor of the Company with respect to any claims or defenses asserted by the Executive.

5.2 Notice. Any notices, requests, demands, or other communications provided for by this Plan shall be sufficient if in writing and if sent by registered or certified mail to the Executive at the last address he or she has filed in writing with the Company or, in the case of the Company, at its principal offices.

Article 6. Successors and Assignment

6.1 Successors to the Company. The Company shall require any successor (whether direct or indirect, by purchase, merger, reorganization, consolidation, acquisition of property or stock, liquidation, or otherwise) of all or a significant portion of the assets of the Company by agreement, in form and substance satisfactory to the Executive, to expressly assume and agree to perform under this Plan in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. Regardless of whether such agreement is executed, the terms of this Plan shall be binding upon any successor in accordance with the operation of law and such successor shall be deemed the "Company" for purposes of this Plan.

6.2 Assignment by the Executive. This Plan shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive dies while any amount would still be payable to him or her hereunder had he continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to the Executive's Beneficiary. If the Executive has not named a Beneficiary, then such amounts shall be paid to the Executive's devisee, legatee, or other designee, or if there is no such designee, to the Executive's estate.

Article 7. Miscellaneous

7.1 Employment Status. Except as may be provided under any other agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and may be terminated by either the Executive or the Company at any time, subject to applicable law.

7.2 Entire Plan. Except for any change in control related separation or severance pay plans, agreements, or understandings, oral or written, between the parties hereto, this Plan supersedes all other separation or severance pay plans, prior agreements, or understandings, oral or written, between the parties hereto, with respect to the subject matter hereof, and constitutes the entire agreement of the parties with respect thereto. The Severance Benefits provided under Section 3.2 or, if applicable, Section 3.4 herein, are not intended to duplicate severance benefits (including change in control related severance benefits) under any other severance plan, arrangement, or employment agreement maintained by the Company. In the event an Executive qualifies for benefits under this Plan and under any other severance plan, arrangement, or employment agreement of the Company, the Severance Benefits under this Plan shall be reduced dollar for dollar by the amount or single-sum value of the severance benefits under any other such severance plan, arrangement, or agreement.

The Company reserves the right to provide additional benefits to the Executive outside of the Plan. Any such additional benefits will not be considered provided pursuant to this Plan, but unless expressly provided otherwise, any such additional benefits will offset and reduce the Severance Benefits provided under this Plan.

The amount of any reduction or offset under this Section 7.2 shall not change after a change in control except to the extent that such change does not change the time or form of payment of "deferred compensation" within the meaning of Section 409A of the Code.

7.3 Severability. In the event that any provision or portion of this Plan shall be determined to be invalid or unenforceable for any reason, the remaining provisions of this Plan shall be unaffected thereby and shall remain in full force and effect.

7.4 Tax Withholding. The Company may withhold from any benefits payable under this Plan all federal, state, city, or other taxes as may be required pursuant to any law or governmental regulation or ruling.

7.5 Beneficiaries. The Executive may designate one (1) or more persons or entities as the primary and/or contingent beneficiaries of any amounts to be received under this Plan. Such designation must be in the form of a signed writing acceptable to the Board or the Board's designee. The Executive may make or change such designation at any time.

7.6 Payment Obligation Absolute. The Company's obligation to make the payments provided for herein shall be absolute and unconditional, and shall not be affected by any circumstances, including, without limitation, any offset, counterclaim, recoupment, defense, or other right which the Company may have against the Executive or anyone else.

Except as provided in Section 3.2(d) of this Plan, the Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Plan, and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Plan.

7.7 Contractual Rights to Benefits. Subject to approval and ratification by the Board of Directors, this Plan establishes and vests in the Executive a contractual right to the benefits to which he or she is entitled hereunder. However, nothing herein contained shall require or be deemed to require, or prohibit or be deemed to prohibit, the Company to segregate, earmark, or otherwise set aside any funds or other assets, in trust or otherwise, to provide for any payments to be made or required hereunder.

7.8 Modification. No provision of this Plan may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in writing and signed by each and every Executive then covered by the Plan and by an authorized member of the Committee, or by the respective parties' legal representatives and successors.

7.9 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

7.10 Section 409A of the Code. This Plan is intended to comply with, or be exempt from, Section 409A of the Code (to the extent applicable). This Plan shall be interpreted and administered consistent with this intent. No reimbursement or in-kind benefit shall be subject to liquidation or exchange for another benefit and the amount available for reimbursement, or in-kind benefits to be provided, during any calendar year shall not affect the amount available for reimbursement, or in-kind benefits to be provided, in a subsequent calendar year. Any reimbursement to which the Executive is entitled hereunder shall be made no later than the last day of the calendar year following the calendar year in which such expenses were incurred.

7.11 Applicable Law. To the extent not preempted by the laws of the United States, the laws of the state of Ohio shall be the controlling law in all matters relating to this Plan.

**DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gerrard B. Schmid, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Diebold Nixdorf, Incorporated;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2018

/s/ Gerrard B. Schmid

Gerrard B. Schmid

President and Chief Executive Officer
(Principal Executive Officer)

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey Rutherford, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Diebold Nixdorf, Incorporated;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2018

/s/ Jeffrey Rutherford

Jeffrey Rutherford
Interim Chief Financial Officer
(Principal Financial Officer)

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q of Diebold Nixdorf, Incorporated (Company) for the quarter ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (Report), I, Gerrard B. Schmid, President and Chief Executive Officer, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

- 1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

November 8, 2018

/s/ Gerrard B. Schmid

Gerrard B. Schmid
President and Chief Executive Officer
(Principal Executive Officer)

**DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES
CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report on Form 10-Q of Diebold Nixdorf, Incorporated (Company) for the quarter ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (Report), I, Jeffrey Rutherford, Interim-Chief Financial Officer, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

- 1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

November 8, 2018

/s/ Jeffrey Rutherford

Jeffrey Rutherford
Interim Chief Financial Officer
(Principal Financial Officer)