

DIEBOLD INC
 Form 10-K
 February 15, 2013
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2012

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, Incorporated

(Exact name of Registrant as specified in its charter)

Ohio

34-0183970

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

5995 Mayfair Road,

44720-8077

P.O. Box 3077, North Canton, Ohio

(Address of principal executive offices)

(Zip Code)

Registrants telephone number, including area code (330) 490-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered:

Common Shares \$1.25 Par Value

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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(do not check if a smaller reporting company)

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

Approximate aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2012, based upon the closing price on the New York Stock Exchange on June 30, 2012, was \$2,322,293,045.

Number of shares of common stock outstanding as of February 8, 2013 was 63,249,000.

DOCUMENTS INCORPORATED BY REFERENCE

Listed hereunder are the documents, portions of which are incorporated by reference, and the parts of this Form 10-K into which such portions are incorporated:

Diebold, Incorporated Proxy Statement for 2013 Annual Meeting of Shareholders to be held on April 25, 2013, portions of which are incorporated by reference into Part III of this Form 10-K.

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PART I

ITEM 1: BUSINESS

(dollars in thousands)

GENERAL

Diebold, Incorporated (collectively with its subsidiaries, the Company) was incorporated under the laws of the state of Ohio in August 1876, succeeding a proprietorship established in 1859.

The Company is a global leader in providing integrated software-led services and self-service delivery and security systems to primarily the financial, commercial, government and retail markets. The Company's vision is to be recognized as the essential partner in creating and implementing ideas that optimize convenience, efficiency and security. This vision is the guiding principle behind the Company's transformation to becoming a more software-led services company. Services comprise more than 50 percent of the Company's revenue. The Company expects that this percentage will continue to grow over time as the Company continues to build on its strong base of maintenance and advanced services to deliver world-class integrated services. Sales of systems and equipment are made directly to customers by the Company's sales personnel, manufacturers' representatives and distributors globally. The sales and support organizations work closely with customers and their consultants to analyze and fulfill the customers' needs.

SERVICE AND PRODUCT SOLUTIONS

The Company has two core lines of business: Self-Service Solutions and Security Solutions, which the Company integrates based on its customers' needs. Financial information for the service and product solutions can be found in note 19 to the consolidated financial statements, which is contained in Item 8 of this annual report on Form 10-K.

Self-Service Solutions

One popular example of self-service solutions is the automated teller machine (ATM). The Company offers an integrated line of self-service technologies and services, including comprehensive ATM outsourcing, ATM security, deposit and payment terminals and software. The Company is a leading global supplier of ATMs and related services and holds the leading market position in many countries around the world.

Self-Service Support and Managed Services

From analysis and consulting to monitoring and repair, the Company provides value and support to its customers every step of the way. Services include installation and ongoing maintenance of our products, OpteView® remote services, availability management, branch transformation and distribution channel consulting. Additionally, service revenue includes services and parts the Company provides on a billed-work basis that are not covered by warranty or service contract. The Company also provides outsourced and managed services including remote monitoring, troubleshooting for self-service customers, transaction processing, currency management, maintenance services and full support via person to person or online communication.

Self-Service Products

The Company offers a wide variety of self-service solutions. Self-service products comprise a full range of ATMs and teller automation, including deposit automation technology such as check-cashing machines, bulk cash recyclers and bulk check deposit.

Self-Service Software

The Company offers software solutions consisting of multiple applications that process events and transactions. These solutions are delivered on the appropriate platform, allowing the Company to meet customer requirements while adding new functionality in a cost-effective manner.

Security Solutions

From the safes and vaults that the Company first manufactured in 1859 to the full range of advanced electronic security offerings it provides today, the Company's integrated security solutions contain best-in-class products and award-winning services for its customers' unique needs. The Company provides its customers with the latest technological advances to better protect their assets, improve their workflow and increase their return on investment. These solutions are backed with experienced sales, installation and service teams. The Company is a leader in providing physical and electronic security systems as well as assisted transactions, providing total security systems solutions to financial, retail, commercial and government markets.

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Physical Security and Facility Products

The Company provides security solutions and facility products, pneumatic tube systems for drive-up lanes, vaults, safes, depositories, bullet-resistive items and undercounter equipment.

Electronic Security Products

The Company provides a broad range of electronic security products including digital surveillance, access control systems, biometric technologies, alarms and remote monitoring and diagnostics.

Monitoring and Services

The Company provides security monitoring solutions including fire, managed access control, energy management and remote video management and storage, as well as logical security.

Integrated Solutions

The Company provides end-to-end outsourcing solutions with a single point of contact to help customers maximize their self-service channel by incorporating new technology, meeting compliance and regulatory mandates, protecting their institutions, and reducing costs, all while ensuring a high level of service for their customers. Each unique solution may include hardware, software, services or a combination of all three components. The Company provides value to its customers by offering a comprehensive array of hardware-agnostic integrated services and support. The Company's service organization provides strategic analysis and planning of new systems, systems integration, architectural engineering, consulting and project management that encompass all facets of a successful financial self-service implementation. The Company also provides design, products, service, installation, project management and monitoring of electronic security products to financial, government, retail and commercial customers.

Election Systems

The Company is a provider of voting equipment and related products and services in Brazil. The Company provides elections equipment, networking, tabulation and diagnostic software development, training, support and maintenance.

OPERATIONS

The principal raw materials used by the Company in its manufacturing operations are steel, plastics, and electronic parts and components, which are purchased from various major suppliers. These materials and components are generally available in ample quantities. Within the Company's services operations, fuel is a significant cost factor.

The Company's operating results and the amount and timing of revenue are affected by numerous factors including production schedules, customer priorities, sales volume and sales mix. During the past several years, the Company has changed the focus of its self-service business to that of a total solutions and integrated services approach. The value of unfilled orders is not a meaningful indicator of future revenues due to the significant portion of revenues derived from the Company's growing service-based business, for which order information is not available. Therefore, the Company believes that backlog information is not material to an understanding of its business.

The Company carries working capital mainly related to trade receivables and inventories. Inventories generally are only manufactured or purchased as orders are received from customers. The Company's normal and customary payment terms generally range from net 30 to 90 days from date of invoice. The Company generally does not offer extended payment terms. The Company also provides financing arrangements to customers that are largely classified and accounted for as sales-type leases. As of December 31, 2012, the Company's net investment in finance lease receivables was \$77,656.

SEGMENTS AND FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

The Company manages its businesses on a geographic basis and reports the following two segments: Diebold North America (DNA) and Diebold International (DI). The DNA segment sells and services financial and retail systems in

the United States and Canada. The DI segment sells and services financial and retail systems over the remainder of the globe through wholly-owned subsidiaries, majority-owned joint ventures and independent distributors in most major countries throughout Europe, the Middle East, Africa, Latin America and in the Asia Pacific region (excluding Japan and Korea). Segment financial information can be found in note 19 to the consolidated financial statements, which is incorporated herein by reference.

Sales to customers outside the United States in relation to total consolidated net sales were \$1,458,019 or 48.7 percent in 2012, \$1,494,681 or 52.7 percent in 2011 and \$1,560,879 or 55.3 percent in 2010.

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Property, plant and equipment, at cost, located in the United States totaled \$468,575, \$455,814 and \$454,666 as of December 31, 2012, 2011 and 2010, respectively, and property, plant and equipment, at cost, located outside the United States totaled \$193,335, \$186,442 and \$191,569 as of December 31, 2012, 2011 and 2010, respectively.

Additional financial information regarding the Company's international operations is included in note 19 to the consolidated financial statements, which is incorporated herein by reference. The Company's non-U.S. operations are subject to normal international business risks not generally applicable to domestic business. These risks include currency fluctuation, new and different legal and regulatory requirements in local jurisdictions, political and economic changes and disruptions, tariffs or other barriers, potentially adverse tax consequences and difficulties in staffing and managing foreign operations.

COMPETITION

The Company participates in many highly competitive businesses with some services and products in competition directly with similar services and products and others with alternative products that have similar uses or produce similar results. The Company distinguishes itself by providing unique value with a wide range of software-led services tailored to meet customers' needs. The Company believes, based upon outside independent industry surveys, that it is a leading service provider for and manufacturer of financial self-service systems in the United States and is also a market leader internationally. In the area of automated transaction systems, the Company competes on a global basis primarily with NCR Corporation and Wincor-Nixdorf. On a regional basis, the Company competes with many other hardware and software companies such as GRG Banking Equipment Co., Ltd. and Nautilus Hyosung in Asia Pacific and Itaotec and Perto in Latin America. In the security service and product markets, the Company competes with national, regional and local security companies. Of these competitors, some compete in only one or two product lines, while others sell a broad spectrum of security services and products. The unavailability of comparative sales information and the large variety of individual services and products make it difficult to give reasonable estimates of the Company's competitive ranking in or share of the security market within the financial services, retail, commercial and government sectors. However, the Company is a uniquely positioned security service and solution provider to global, national, regional and local financial, commercial and industrial customers. The Company also has a strong position in North America and in global markets as a premier security service provider that offers a full portfolio of security monitoring and managed services, as well as a full spectrum of systems integration and enterprise level capabilities.

The Company provides elections systems product solutions and support to the Brazilian government. Competition in this market is limited and based upon technology pre-qualification demonstrations to the government. Due to the technology investment required in elections systems, barriers to entry in this market are high.

RESEARCH, DEVELOPMENT AND ENGINEERING

Customer demand for self-service and security technologies is growing. In order to meet this demand, the Company is focused on delivering innovation to its customers by continuing to invest in technology solutions that enable customers to reduce costs and improve efficiency. Expenditures for research, development and engineering initiatives were \$85,881, \$78,108 and \$74,225 in 2012, 2011 and 2010, respectively. In 2012, the Company introduced the first concept ATM in the world to utilize 4G technology. In collaboration with Verizon, operator of the largest 4G network in the United States, Diebold integrated 4G LTE technology to create a new, additional channel for communication to and from the ATM. Traditionally, the ATM has communicated only with the financial institution or the transaction processor. With the addition of the 4G LTE channel, the ATM also has the potential to communicate directly with third parties, such as service providers or monitoring centers, which would potentially allow for increased efficiencies, enhanced security and improved customer service at the ATM.

PATENTS, TRADEMARKS, LICENSES

The Company owns patents, trademarks and licenses relating to certain products in the United States and internationally. While the Company regards these as items of importance, it does not deem its business as a whole, or any industry segment, to be materially dependent upon any one item or group of items.

ENVIRONMENTAL

Compliance with federal, state and local environmental protection laws during 2012 had no material effect upon the Company's business, financial condition or results of operations.

EMPLOYEES

At December 31, 2012, the Company employed 16,751 associates globally. The Company's service staff is one of the financial industry's largest, with professionals in more than 600 locations and representation in nearly 90 countries worldwide.

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EXECUTIVE OFFICERS

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

AVAILABLE INFORMATION

The Company uses its Investor Relations web site, www.diebold.com/investors, as a channel for routine distribution of important information, including news releases, analyst presentations and financial information. The Company posts filings as soon as reasonably practicable after they are electronically filed with, or furnished to, the U.S. Securities and Exchange Commission (SEC), including its annual, quarterly, and current reports on Forms 10-K, 10-Q, and 8-K; its proxy statements; and any amendments to those reports or statements. All such postings and filings are available on the Company's Investor Relations web site free of charge. In addition, this web site allows investors and other interested persons to sign up to automatically receive e-mail alerts when the Company posts news releases and financial information on its web site. Investors and other interested persons can also follow the Company on Twitter at <http://twitter.com/dieboldinc>. The SEC also maintains a web site, www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The content on any web site referred to in this annual report on Form 10-K is not incorporated by reference into this annual report unless expressly noted.

ITEM 1A: RISK FACTORS

(dollars in thousands)

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

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

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

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

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

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

Increased energy and raw material costs could reduce our income.

Energy prices, particularly petroleum prices, are cost drivers for our business. In recent years, the price of petroleum has been highly volatile, particularly due to the unstable political conditions in the Middle East and increasing

international demand from emerging markets. Price increases in fuel and electricity costs, such as those increases which may occur from climate change legislation or other environmental mandates, will continue to increase our cost of operations. Any increase in the costs of energy would also increase our transportation costs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Company, changes in tax legislation, changes in the valuation of deferred tax assets and liabilities, the results of audits and examinations of previously filed tax returns and continuing assessments of our income tax exposures.

Additionally, our future results could be adversely affected by the results of indirect tax audits and examinations, and continuing assessments of our indirect tax exposures. For example, in August 2012, one of our Brazilian subsidiaries was notified of a tax assessment of approximately \$133,000, including penalties and interest, regarding certain Brazilian federal indirect taxes for 2008 and 2009. The assessment alleges improper importation of certain components into the country's free trade zone that would nullify certain indirect tax incentives. We have filed administrative defenses with the tax authorities and are awaiting an administrative level decision that could negatively impact Brazilian federal indirect taxes in other years that remain open under statute. It is reasonably possible that we could be required to pay taxes, penalties and interest related to this matter, which could be material to our consolidated financial statements.

In international markets, we compete with local service providers that may have competitive advantages. In a number of international markets, especially those in Asia Pacific and Latin America, we face substantial competition from local service providers that offer competing services and products. Some of these companies may have a dominant market share in their territories and may be owned by local stakeholders. This could give them a competitive advantage. Local providers of competing services and products may also have a substantial advantage in attracting customers in their country due to more established branding in that country, greater knowledge with respect to the tastes and preferences of customers residing in that country and/or their focus on a single market. Further, the local providers may have greater regulatory and operational flexibility since we are subject to both U.S. and foreign regulatory requirements.

Because our operations are conducted worldwide, they are affected by risks of doing business abroad. We generate a significant percentage of revenue from operations conducted outside the United States. Revenue from international operations amounted to approximately 48.7 percent in 2012, 52.7 percent in 2011 and 55.3 percent in 2010 of total revenue during these respective years.

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

- fluctuations in currency exchange rates;
- transportation delays and interruptions;
- political and economic instability and disruptions;
- restrictions on the transfer of funds;
- the imposition of duties and tariffs;
- import and export controls;
- changes in governmental policies and regulatory environments;
- disadvantages of competing against companies from countries that are not subject to U.S. laws and regulations, including the Foreign Corrupt Practices Act (FCPA);
- labor unrest and current and changing regulatory environments;
- the uncertainty of product acceptance by different cultures;
- the risks of divergent business expectations or cultural incompatibility inherent in establishing joint ventures with foreign partners;
- difficulties in staffing and managing multi-national operations;
- limitations on the ability to enforce legal rights and remedies;
- reduced protection for intellectual property rights in some countries; and
- potentially adverse tax consequences, including repatriation of profits.

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

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

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conduct our business in additional currencies, we would be subjected to additional earnings volatility as amounts in these currencies are translated into U.S. dollars.

We may be exposed to liabilities under the Foreign Corrupt Practices Act, and any determination that the Company or any of its subsidiaries has violated the Foreign Corrupt Practices Act could have a material adverse effect on our business.

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

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

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

In particular, during the second quarter of 2010, while conducting due diligence in connection with a potential acquisition in Russia, the Company identified certain transactions and payments by its subsidiary in Russia (primarily during 2005 to 2008) that potentially implicate the FCPA, particularly the books and records provisions of the FCPA. As a result, the Company conducted a global internal review and collected information related to its global FCPA compliance. In the fourth quarter of 2010, the Company identified certain transactions within its Asia Pacific operation that occurred over the past several years that may also potentially implicate the FCPA. The Company continues to monitor its ongoing compliance with the FCPA.

The Company has voluntarily self-reported its findings to the SEC and the U.S. Department of Justice (DOJ) and is cooperating with these agencies in their review. The Company was previously informed that the SEC's inquiry had been converted to a formal, non-public investigation. The Company also received a subpoena for documents from the SEC and a voluntary request for documents from the DOJ in connection with the investigation. Because the SEC and DOJ investigations are ongoing, there can be no assurance that their review will not find evidence of additional transactions that potentially implicate the FCPA. The Company is continuing its discussions with the government toward a resolution to this matter. At this time, the Company cannot predict the results of the government investigations, and it is reasonably possible that the resolution of these matters with the SEC and the DOJ could result in changes in management's estimates of losses, which could be material to the Company's consolidated financial statements.

In addition, our business opportunities in select geographies have been or may be adversely affected by these reviews and any subsequent findings. Some countries in which we do business may also initiate their own reviews and impose penalties, including prohibition of our participating in or curtailment of business operations in those jurisdictions. If it is determined that a violation of the FCPA has occurred, such violation may give rise to an event of default under our loan agreements. We could also face third-party claims in connection with any such violation or as a result of the

outcome of the current or any future government reviews. Our disclosure, internal review, any current or future governmental review and any findings regarding any alleged violation of the FCPA could, individually or in the aggregate, have a material adverse affect on our reputation and our ability to obtain new business or retain existing business from our current clients and potential clients, to attract and retain employees and to access the capital markets.

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

We continually look to expand our services and products into international markets. We have currently developed, through joint ventures, strategic investments, subsidiaries and branch offices, service and product offerings in over 90 countries outside of the United States. As we expand into new international markets, we will have only limited experience in marketing and operating services and products in such markets. In other instances, we may rely on the efforts and abilities of foreign business partners in such markets. Certain international markets may be slower than domestic markets in adopting our services and products, and our operations in international markets may not develop at a rate that supports our level of investment.

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An inability to effectively manage acquisitions, divestitures and other significant transactions successfully could harm our operating results, business and prospects.

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

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

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

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

Managing these types of transactions requires varying levels of management resources, which may divert our attention from other business operations. These transactions could result in significant costs and expenses and charges to earnings, including those related to severance pay, early retirement costs, employee benefit costs, asset impairment charges, charges from the elimination of duplicative facilities and contracts, in-process research and development charges, inventory adjustments, assumed litigation and other liabilities, legal, accounting and financial advisory fees, and required payments to executive officers and key employees under retention plans. Moreover, we could incur additional depreciation and amortization expense over the useful lives of certain assets acquired in connection with these transactions, and, to the extent that the value of goodwill or intangible assets with indefinite lives acquired in connection with a transaction becomes impaired, we may be required to incur additional material charges relating to

the impairment of those assets. In order to complete an acquisition, we may issue common stock, potentially creating dilution for existing shareholders, or borrow funds, affecting our financial condition and potentially our credit ratings. Any prior or future downgrades in our credit rating associated with a transaction could adversely affect our ability to borrow and result in more restrictive borrowing terms. In addition, our effective tax rate on an ongoing basis is uncertain, and such transactions could impact our effective tax rate. We also may experience risks relating to the challenges and costs of closing a transaction and the risk that an announced transaction may not close. As a result, any completed, pending or future transactions may contribute to financial results that differ from the investment community's expectations.

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

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

As of December 31, 2012, we had \$272,951 of goodwill. We assess all existing goodwill at least annually for impairment on a “reporting unit” basis. The Company’s five reporting units are defined as Domestic and Canada, Brazil, Latin America, Asia Pacific, and Europe, Middle East and Africa (EMEA). The techniques used in our qualitative and quantitative assessment and goodwill impairment tests incorporate a number of estimates and assumptions that are subject to change; although we believe these estimates and assumptions are reasonable and reflect market conditions forecast at the assessment date. Any changes to these assumptions and estimates due to market conditions or otherwise may lead to an outcome where impairment charges would be required in future periods. In particular, the amount of goodwill in our Brazil reporting unit was \$120,571 as of December 31, 2012, with excess fair value of approximately \$113,348 or 22.0 percent when compared to its carrying amount. Because actual results may vary from our forecasts and such variations may be material and unfavorable, we may need to record future impairment charges with respect to the goodwill attributed to any reporting unit, which could adversely impact our results of operations.

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

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

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

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

confidence resulting from these disruptions could adversely affect financial results, stock price and reputation.

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

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

Our cash flows from operations depend primarily on sales and service margins. To develop new service and product technologies, support future growth, achieve operating efficiencies and maintain service and product quality, we must make significant capital investments in manufacturing technology, facilities and capital equipment, research and development, and service and product technology. In addition to cash provided from operations, we have from time to time utilized external sources of financing. Depending upon general market conditions or other factors, we may not be able to generate sufficient cash flows to fund our operations and make adequate capital investments, or to continue our trend of annual dividend increases or to continue to pay dividends at all, either in whole or in part. In addition, due to the recent economic downturn there has been a tightening of the credit markets, which may limit our ability to obtain alternative sources of cash to fund our operations.

New service and product developments may be unsuccessful.

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

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

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

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

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

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

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Any actions or other governmental investigations or proceedings related to or arising from the matters that resulted in the 2009 SEC settlement, including the related SEC investigation and Department of Justice investigation, could result in substantial costs to defend enforcement or other related actions that could have a materially adverse effect on our business, operating results or financial condition.

The Company had previously reached an agreement in principle in 2009 with the staff of the SEC to settle civil charges stemming from the staff's enforcement inquiry. We could incur substantial additional costs to defend and resolve third-party litigation or other governmental actions, investigations or proceedings arising out of, or related to, the completed investigations or the SEC settlement. In addition, we could be exposed to enforcement or other actions with respect to these matters by the SEC's Division of Enforcement or the DOJ. The diversion of resources to address issues arising out of any such third-party or governmental actions may harm our business, operating results and financial condition in the future.

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

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

Management identified control deficiencies during 2012 that constituted a material weakness. In August 2012, one of our Brazilian subsidiaries was notified of a tax assessment of approximately \$133,000, including penalties and interest, regarding certain Brazilian federal indirect taxes for 2008 and 2009, alleging improper importation of certain components into the country's free trade zone that would nullify certain indirect tax incentives. After evaluating relevant controls, we concluded that controls pertaining to manufacturing and supply chain processes that could materially impact indirect tax incentives in the Brazilian subsidiary and roles and responsibilities within this Brazilian subsidiary pertaining to the operation of these controls were not designed and/or operating effectively, and controls designed to ensure adequate and effective communication by operational management to regional and corporate management were not operating effectively. In 2012, we have enhanced, and in 2013 will continue to enhance, our internal control over financial reporting. As of December 31, 2012, we had not remediated the material weakness. If we are not able to maintain the adequacy of our internal control over financial reporting, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business, financial condition and operating results could be harmed.

Any material weakness could affect investor confidence in the accuracy and completeness of our financial statements. As a result, our ability to obtain any additional financing, or additional financing on favorable terms, could be materially and adversely affected. This, in turn, could materially and adversely affect our business, financial condition and the market value of our securities and require us to incur additional costs to improve our internal control systems and procedures. In addition, perceptions of our Company among customers, lenders, investors, securities analysts and others could also be adversely affected.

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

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

We sponsor several defined benefit pension plans that cover certain eligible employees. Our pension expense and required contributions to our pension plans are directly affected by the value of plan assets, the projected rate of return on plan assets, the actual rate of return on plan assets and the actuarial assumptions we use to measure the defined benefit pension plan obligations.

A significant market downturn could occur in future periods resulting in a decline in the funded status of our pension plans and actual asset returns to be below the assumed rate of return used to determine pension expense. If return on plan assets in future periods perform below expectations, future pension expense will increase. Further, as a result of global economic instability in recent years, our pension plan investment portfolio has been volatile.

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

Based on current guidelines, assumptions and estimates, including investment returns and interest rates, we plan to make contributions of \$3,343 to our pension plans in 2013. Changes in the current assumptions and estimates could result in contributions in years beyond 2013 that are greater than the projected 2013 contributions required. We cannot predict whether changing market or economic conditions, regulatory changes or other factors will further increase our pension expenses or funding obligations, diverting funds we would otherwise apply to other uses.

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

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

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

We are currently subject to a purported shareholder class action, the unfavorable outcome of which might have a material adverse effect on our financial condition, operating results and cash flow.

A purported shareholder class action lawsuit has been filed against us and certain current former officers alleging violations of federal securities laws. Although we believe this lawsuit is without merit, and we intend to vigorously defend against the claim, we cannot determine with certainty the outcome or resolution of the claim or any future related claims, or the timing for their resolution. In addition to the expense and burden incurred in defending this litigation and any damages that we may suffer, management's efforts and attention may be diverted from the ordinary business operations in order to address these claims. It is reasonably possible that the resolution of this shareholder class action lawsuit could be material to the Company's consolidated financial statements.

ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2: PROPERTIES

The Company's corporate offices are located in North Canton, Ohio. The Company owns manufacturing facilities in Lynchburg, Virginia and Lexington, North Carolina. The Company also has manufacturing facilities in Belgium, Brazil, China, Hungary and India. The Company has selling, service and administrative offices in the following locations: throughout the United States, and in Australia, Austria, Barbados, Belgium, Belize, Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, France, Greece, Guatemala, Haiti, Honduras, Hong Kong, Hungary, India, Indonesia, Italy, Jamaica, Kazakhstan, Malaysia, Mexico, Namibia, Netherlands, Nicaragua, Panama, Paraguay, Peru, Philippines, Portugal, Poland, Russia, Singapore, South Africa, Spain, Switzerland, Taiwan, Thailand, Turkey, the United Arab Emirates, the United Kingdom, Uruguay, Venezuela and Vietnam. The Company leases a majority of the selling, service and administrative offices under operating lease agreements.

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The Company considers that its properties are generally in good condition, are well maintained, and are generally suitable and adequate to carry on the Company's business.

ITEM 3: LEGAL PROCEEDINGS

(dollars in thousands)

At December 31, 2012, the Company was a party to several lawsuits that were incurred in the normal course of business, none of which individually or in the aggregate is considered material by management in relation to the Company's financial position or results of operations. In management's opinion, the Company's consolidated financial statements would not be materially affected by the outcome of those legal proceedings, commitments, or asserted claims.

In addition to the routine legal proceedings noted above the Company was a party to the lawsuits described below at December 31, 2012:

Brazilian Federal Indirect Tax Assessment

In August 2012, one of the Company's Brazilian subsidiaries was notified of a tax assessment of approximately \$133,000, including penalties and interest, regarding certain Brazilian 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 the country's free trade zone that would nullify certain indirect tax incentives. On September 10, 2012, the Company filed its administrative defenses with the tax authorities. This proceeding is currently pending an administrative level decision, which could negatively impact Brazilian 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. Management believes that the possible range of loss associated with the Brazilian federal indirect tax assessment is \$0 to \$236,000.

Securities Action

On June 30, 2010, a shareholder filed a putative class action complaint in the United States District Court for the Northern District of Ohio alleging violations of the federal securities laws against the Company, certain current and former officers, and the Company's independent auditors (Louisiana Municipal Police Employees Retirement System v. KPMG et al., No. 10-CV-1461). The complaint seeks unspecified compensatory damages on behalf of a class of persons who purchased the Company's stock between June 30, 2005 and January 15, 2008 and fees and expenses related to the lawsuit. The complaint generally relates to the matters set forth in the court documents filed by the SEC in June 2010 finalizing the settlement of civil charges stemming from the investigation of the Company conducted by the Division of Enforcement of the SEC. It is reasonably possible that the resolution of this putative federal securities class action could be material to the Company's consolidated financial statements; however, management believes that any possible loss or range of loss cannot be estimated.

Global Foreign Corrupt Practices Act (FCPA) Review

During the second quarter of 2010, while conducting due diligence in connection with a potential acquisition in Russia, the Company identified certain transactions and payments by its subsidiary in Russia (primarily during 2005 to 2008) that potentially implicate the FCPA, particularly the books and records provisions of the FCPA. As a result, the Company conducted a global internal review and collected information related to its global FCPA compliance. In the fourth quarter of 2010, the Company identified certain transactions within its Asia Pacific operation that occurred over the past several years that may also potentially implicate the FCPA. The Company continues to monitor its ongoing global compliance with the FCPA.

The Company has voluntarily self-reported its findings to the SEC and the U.S. Department of Justice (DOJ) and is cooperating with these agencies in their review. The Company was previously informed that the SEC's inquiry had been converted to a formal, non-public investigation. The Company also received a subpoena for documents from the SEC and a voluntary request for documents from the DOJ in connection with the investigation. Because the SEC and DOJ investigations are ongoing, there can be no assurance that their review will not find evidence of additional transactions that potentially implicate the FCPA. The Company is continuing its discussions with the government toward a resolution to this matter. At this time, the Company cannot predict the results of the government investigations, and it is reasonably possible that the resolution of these matters with the SEC and the DOJ could result in changes in management's estimates of losses, which could be material to the Company's consolidated financial statements.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

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

| | 2012 | | 2011 | | 2010 | |
|-------------|---------|---------|---------|---------|---------|---------|
| | High | Low | High | Low | High | Low |
| 1st Quarter | \$40.38 | \$29.21 | \$36.35 | \$30.20 | \$32.23 | \$26.47 |
| 2nd Quarter | 42.93 | 35.03 | 37.12 | 29.26 | 35.18 | 24.22 |
| 3rd Quarter | 38.49 | 31.48 | 33.89 | 24.70 | 31.59 | 25.72 |
| 4th Quarter | 34.33 | 27.66 | 33.59 | 25.83 | 33.29 | 29.79 |
| Full Year | \$42.93 | \$27.66 | \$37.12 | \$24.70 | \$35.18 | \$24.22 |

There were approximately 52,329 shareholders at December 31, 2012, which includes an estimated number of shareholders who have shares held in their accounts by banks, brokers, and trustees for benefit plans and the agent for the dividend reinvestment plan.

On the basis of amounts paid and declared, the annualized dividends per share were \$1.14, \$1.12 and \$1.08 in 2012, 2011 and 2010, respectively.

Information concerning the Company's share repurchases made during the fourth quarter of 2012:

| Period | Total Number of Shares Purchased (1) | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans | Maximum Number of Shares that May Yet Be Purchased Under the Plans (2) |
|----------|--------------------------------------|------------------------------|--|--|
| October | 792 | \$32.56 | — | 2,426,177 |
| November | 11,611 | 30.21 | — | 2,426,177 |
| December | — | — | — | 2,426,177 |
| Total | 12,403 | \$30.36 | — | |

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

(2) The total number of shares repurchased as part of the publicly announced share repurchase plan was 13,450,772 as of December 31, 2012. The plan was approved by the Board of Directors in April 1997. The Company may purchase shares from time to time in open market purchases or privately negotiated transactions. The Company may make all or part of the purchases pursuant to accelerated share repurchases or Rule 10b5-1 plans. The plan has no expiration date. The following table provides a summary of Board of Director approvals to repurchase the Company's outstanding common shares:

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

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

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PERFORMANCE GRAPH

The graph below compares the cumulative five-year total return to shareholders on Diebold, Inc.'s common stock relative to the cumulative total returns of the S&P 500 index, the S&P Midcap 400 index and two customized peer groups of twenty-five companies and twenty-four companies respectively, whose individual companies are listed in footnotes 1 and 2 below. The graph assumes that the value of the investment in our common stock, in each index, and in each of the peer groups (including reinvestment of dividends) was \$100 on December 31, 2007 and tracks it through December 31, 2012.

There are twenty-five companies included in the company's old customized peer group which are: Actuant Corp., Benchmark Electronics Inc., Brady Corp., Cooper Industries, Coinstar Inc., Dover Corp., Fidelity National Information Services, Fiserv Inc., Flowserve Corp., Global Payments Inc., Imation Corp., International Game Technology, Logitech International SA, Mastercard Inc., Mettler Toledo International Inc., NCR Corp., Pitney-Bowes Inc., Rockwell Automation Inc., Sensata Technologies Holding NV, SPX Corp., The Brinks Company, The Timken Company, Unisys Corp., Western Union Company (The) and Woodward Inc.

The twenty-four companies included in the company's new customized peer group are: Actuant Corp., Benchmark Electronics Inc., Brady Corp., Coinstar Inc., DTS Inc., Fidelity National Information Services, Fiserv Inc., Flowserve Corp., Global Payments Inc., Harris Corp., Imation Corp., International Game Technology, Lexmark International Inc., Logitech International SA, Mettler Toledo International Inc., NCR Corp., Pitney-Bowes Inc., Sensata Technologies Holding NV, SPX Corp., The Brinks Company, The Timken Company, Unisys Corp., Western Union Company (The) and Woodward Inc. This peer group originally included Cooper Industries, Limited, however, in November 2012, Cooper Industries was acquired by Eaton Corp. and, as such, was dropped from the peer group.

ITEM 6: SELECTED FINANCIAL DATA

The following table should be read in conjunction with “Part II — Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Part II — Item 8 — Financial Statements and Supplementary Data.”

| | Year Ended December 31, | | | | |
|--|--------------------------------------|---------|----------|----------|----------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| | (in millions, except per share data) | | | | |
| Results of operations | | | | | |
| Net sales | \$2,992 | \$2,836 | \$2,824 | \$2,718 | \$3,082 |
| Cost of sales | 2,256 | 2,100 | 2,104 | 2,068 | 2,307 |
| Gross profit | \$736 | \$736 | \$720 | \$650 | \$775 |
| Amounts attributable to Diebold, Incorporated | | | | | |
| Income (loss) from continuing operations, net of tax | \$82 | \$144 | \$(21) |) \$73 | \$108 |
| (Loss) income from discontinued operations, net of tax | (3) |) 1 | 1 | (47) |) (19) |
| Net income (loss) attributable to Diebold, Incorporated | \$78 | \$145 | \$(20) |) \$26 | \$89 |
| Basic earnings per common share: | | | | | |
| Income (loss) from continuing operations, net of tax | \$1.29 | \$2.24 | \$(0.31) |) \$1.10 | \$1.63 |
| (Loss) income from discontinued operations, net of tax | (0.05) |) 0.01 | — | (0.71) |) (0.29) |
| Net income (loss) attributable to Diebold, Incorporated | \$1.24 | \$2.25 | \$(0.31) |) \$0.39 | \$1.34 |
| Diluted earnings per common share: | | | | | |
| Income (loss) from continuing operations, net of tax | \$1.28 | \$2.23 | \$(0.31) |) \$1.09 | \$1.62 |
| (Loss) income from discontinued operations, net of tax | (0.05) |) 0.01 | — | (0.70) |) (0.29) |
| Net income (loss) attributable to Diebold, Incorporated | \$1.23 | \$2.24 | \$(0.31) |) \$0.39 | \$1.33 |
| Number of weighted-average shares outstanding | | | | | |
| Basic shares | 63 | 64 | 66 | 66 | 66 |
| Diluted shares | 64 | 65 | 66 | 67 | 66 |
| Dividends | | | | | |
| Common dividends paid | \$73 | \$73 | \$72 | \$69 | \$67 |
| Common dividends paid per share | \$1.14 | \$1.12 | \$1.08 | \$1.04 | \$1.00 |
| Consolidated balance sheet data (as of period end) | | | | | |
| Current assets | \$1,815 | \$1,732 | \$1,714 | \$1,588 | \$1,614 |
| Current liabilities | 839 | 824 | 810 | 743 | 735 |

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| | | | | | |
|------------------------------------|-------|-------|-------|-------|-------|
| Net working capital | 976 | 908 | 904 | 845 | 879 |
| Property, plant and equipment, net | 184 | 193 | 203 | 205 | 204 |
| Total long-term liabilities | 909 | 835 | 720 | 740 | 838 |
| Total assets | 2,593 | 2,517 | 2,520 | 2,555 | 2,538 |
| Total equity | 845 | 858 | 990 | 1,072 | 964 |

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

OVERVIEW

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

Introduction

Diebold, Incorporated is a global leader in providing integrated self-service delivery and security systems and services primarily to the financial, commercial, government, and retail markets. Founded in 1859, the Company today has approximately 17,000 employees with representation in nearly 90 countries worldwide.

During the year, the Company accelerated its transformation into a world-class, software-led services provider aligned with the security, convenience and efficiency needs of its customers. Three essential pillars provide the Company a clear path toward reaching this future:

- A strategy that leverages its leadership in software-led services, attuned with the needs of the Company's core global markets for financial self-service (FSS) and security solutions.

- The financial capacity to implement that strategy and fund the investments necessary to drive growth, while preserving the ability to return value to shareholders in the form of reliable, growing dividends and, as appropriate, share repurchase.

- A disciplined risk assessment process, focused on proactively identifying and mitigating potential risks to the Company's continued success.

The Company achieved six percent revenue growth in 2012 as well as operating profitability in Europe, Middle East and Africa (EMEA) for the full year after completing extensive restructuring efforts in the region, which began in 2008. The Company is also taking appropriate actions and making the necessary investments to reduce its overall cost structure and improve its near-term delivery and execution. In addition, the Company is sharpening its focus on the execution of its core strategies in FSS and electronic security and making the appropriate investments to deliver growth within these areas. The Company's strategic focus remains sound and the growing backlog in Asia-Pacific and U.S. national accounts is encouraging. However, the Company maintains a cautious outlook for 2013 given a difficult year-over-year comparison and an uncertain environment in the U.S. regional bank space. In addition, the timing and outcome of large orders pending in Brazil could have a significant impact on the Company's earnings in 2013.

Income from continuing operations attributable to Diebold, Incorporated, net of tax, for the year ended December 31, 2012 was \$81,579 or \$1.28 per share, a decrease of \$62,713 or \$0.95 per share, respectively, from the year ended December 31, 2011. Total revenue for the year ended December 31, 2012 was \$2,991,693, an increase of \$155,845 from the year ended December 31, 2011. Income (loss) from continuing operations attributable to Diebold, Incorporated, net of tax, for the year ended December 31, 2011 was \$144,292 or \$2.23 per share, an increase of \$164,819 or \$2.54 per share respectively, from the year ended December 31, 2010. In 2010, the Company incurred a non-cash goodwill impairment charge of \$168,714 associated with the Company's EMEA business. Total revenue for the year ended December 31, 2011 was \$2,835,848, up slightly compared to 2010.

Vision and strategy

The Company's vision is to be recognized as the essential partner in creating and implementing ideas that optimize convenience, efficiency and security. This vision is the guiding principle behind the Company's transformation to becoming a more software and services focused company. Services comprise more than 50 percent of the Company's revenue and this percentage is expected to continue to grow over time as the Company builds on its strong base of maintenance and advanced services to deliver world-class integrated services.

Several years ago, the Company launched its Diebold Integrated Services outsourcing business in North America. Initially the scale was small, generating about \$5,000 in contract value in year one. In the ensuing years, it has achieved substantial growth in this business. During 2012, the Company signed new integrated services contracts totaling approximately \$300,000. The Company also made appropriate investments within its services infrastructure in 2012 to support the sizable outsourcing business

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secured in late 2011 from TD Bank Group, one of the largest financial institutions in North America, as well as the continued growth the Company expects in this space moving forward.

In addition to service and integrated services, another demand driver in the global ATM marketplace continued to be deposit automation. Among the largest U.S. national banks there has been extensive deployment of deposit automation-enabled terminals. Today, approximately 25 percent of ATMs globally are configured for automated deposits.

In its FSS business, during 2012, the Company's already strong solution set was further enhanced with the pilot of Concierge Video Services. The solution enables consumers with immediate access to bank call center representatives right at the ATM terminal for sales or bank account maintenance support. In addition to delivering a personal touch outside of regular business hours, Concierge Video Services ultimately assists financial institutions in maximizing operational efficiency, improving the consumer experience and enhancing the overall consumer relationship.

In its security business, the Company has an equal, if not greater, potential for a successful integrated services approach. Security challenges and the systems to address them have grown increasingly complex. That has created a greater appetite among financial institutions and commercial customers for outsourcing solutions, particularly in the areas of monitoring, services and software. Today the Company is bringing its expertise back into the financial sector and pursuing other areas, namely the commercial market, with a focused effort to secure large, complex and technologically demanding projects. The Company has customer-focused teams that possess the high levels of specialized expertise in logical and enterprise security required in this business. The Company is also leveraging best practices and some of the best talent to build the foundation for a new security outsourcing business.

Moving forward, the Company intends to create shareholder value by leveraging its growing advantage in software and services capabilities, taking advantage of key market opportunities around the world and further leveraging opportunities in the security business. To this extent, the Company made two strategic acquisitions in 2012, Altus in Turkey and GAS Tecnologia in Brazil. Altus, an industry-leading multi-vendor service provider in Turkey, will allow the Company to better capitalize on the growth opportunities provided by one of the fastest growing ATM markets in the world. GAS Tecnologia, a leading Internet banking, online payment and mobile banking security company in Brazil, adds a meaningful addition to the Company's security portfolio as the Company looks to build upon its expertise within this space and expand into other international markets. Many additional opportunities lie ahead, and the Company will continue to invest in developing new software, services and security solutions, particularly in emerging markets.

Cost savings initiatives, restructuring and other charges

Over the past several years, the Company's SmartBusiness (SB) initiatives have led to rationalization of product development, streamlined procurement, realignment of the Company's manufacturing footprint and improved logistics. Building on that success, the Company's SB 300 initiatives in 2011 shifted the focus from reducing cost of sales to lowering operating expenses and are targeted to achieve an additional \$100,000 in efficiencies by the end of 2013.

The Company is committed to making the strategic decisions that not only streamline operations, but also enhance its ability to serve its customers. The Company remains confident in its ability to continue to execute on cost-reduction

initiatives, deliver solutions that help improve customers' businesses and create shareholder value. During the years ended December 31, 2012, 2011 and 2010, the Company incurred pre-tax net restructuring charges of \$15,241 or \$0.17 per share, \$26,182 or \$0.32 per share and \$4,183 or \$0.05 per share, respectively. Restructuring charges in 2012 primarily related to the Company's global realignment plan, including realignment of resources and certain international facilities to better support opportunities in target markets and leverage software-led services technology to support customers in efforts to optimize overall operational performance. Also, the Company's shared services plan in 2012 entailed expanding the global shared services center and transferred IT and financial services-related jobs residing in other geographies to India. Restructuring charges in 2011 primarily related to the Company's EMEA reorganization plan, which realigns resources and further leverages the existing shared services center. Restructuring charges in 2010 were primarily related to reduction in the Company's global workforce.

Other charges consist of items that the Company has determined are non-routine in nature and are not expected to recur in future operations. Net non-routine expenses of \$42,328 or \$0.45 per share impacted the year ended December 31, 2012 compared to \$14,981 or \$0.16 per share and \$16,234 or \$0.21 per share in the same period of 2011 and 2010, respectively. Net non-routine expenses for 2012 primarily related to the FCPA investigation, including \$16,750 within miscellaneous, net of estimated pre-tax losses related to the potential outcome of this matter and \$21,907 within selling and administrative expense of pre-tax non-routine

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expenses related to early pension buy-out payments made to certain deferred terminated vested participants. Net non-routine expenses for 2011 consisted primarily of legal and compliance costs related to the FCPA investigation and were recorded in selling and administrative expense and miscellaneous, net. Net non-routine expenses for 2010 consisted primarily of a settlement and legal fees related to a previously disclosed employment class-action lawsuit as well as legal and compliance costs related to the FCPA investigation.

Business Drivers

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

- demand for new service offerings, including software-led services and integrated services (i.e. outsourcing);
- demand for security products and services for the financial, commercial, retail and government sectors;
- demand for products and solutions related to bank branch transformation opportunities;
- timing of self-service equipment upgrades and/or replacement cycles, including deposit automation in mature markets such as the United States; and
- high levels of deployment growth for new self-service products in emerging markets, such as Asia Pacific.

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The table below presents the changes in comparative financial data for the years ended December 31, 2012, 2011 and 2010. Comments on significant year-to-year fluctuations follow the table. The following discussion should be read in conjunction with the consolidated financial statements and the accompanying notes that appear elsewhere in this annual report on Form 10-K.

| | Year ended December 31, | | | | | | | | |
|--|-------------------------|----------------|----------|-------------|----------------|----------|-------------|----------------|--|
| | 2012 | % of Net Sales | % Change | 2011 | % of Net Sales | % Change | 2010 | % of Net Sales | |
| Net sales | | | | | | | | | |
| Services | \$1,626,521 | 54.4 | 4.8 | \$1,552,358 | 54.7 | 3.9 | \$1,493,425 | 52.9 | |
| Products | 1,365,172 | 45.6 | 6.4 | 1,283,490 | 45.3 | (3.5) | 1,330,368 | 47.1 | |
| | 2,991,693 | 100.0 | 5.5 | 2,835,848 | 100.0 | 0.4 | 2,823,793 | 100.0 | |
| Cost of sales | | | | | | | | | |
| Services | 1,215,673 | 40.6 | 6.8 | 1,138,213 | 40.1 | 3.4 | 1,100,305 | 39.0 | |
| Products | 1,039,867 | 34.8 | 8.1 | 961,706 | 33.9 | (4.2) | 1,003,923 | 35.6 | |
| | 2,255,540 | 75.4 | 7.4 | 2,099,919 | 74.0 | (0.2) | 2,104,228 | 74.5 | |
| Gross profit | 736,153 | 24.6 | — | 735,929 | 26.0 | 2.3 | 719,565 | 25.5 | |
| Selling and administrative expense | 510,979 | 17.1 | 2.0 | 501,186 | 17.7 | 6.0 | 472,956 | 16.7 | |
| Research, development and engineering expense | 85,881 | 2.9 | 10.0 | 78,108 | 2.8 | 5.2 | 74,225 | 2.6 | |
| Impairment of assets | 15,783 | 0.5 | N/M | 2,962 | 0.1 | N/M | 175,849 | 6.2 | |
| Gain on sale of assets, net | (1,202) | — | (37.4) | (1,921) | (0.1) | 15.5 | (1,663) | (0.1) | |
| | 611,441 | 20.4 | 5.4 | 580,335 | 20.5 | (19.6) | 721,367 | 25.5 | |
| Operating profit (loss) | 124,712 | 4.2 | (19.8) | 155,594 | 5.5 | N/M | (1,802) | (0.1) | |
| Other (expense) income, net | (7,286) | (0.2) | N/M | 8,798 | 0.3 | N/M | (595) | — | |
| Income (loss) from continuing operations before taxes | 117,426 | 3.9 | (28.6) | 164,392 | 5.8 | N/M | (2,397) | (0.1) | |
| Taxes on income | 29,905 | 1.0 | 133.4 | 12,815 | 0.5 | (12.0) | 14,561 | 0.5 | |
| Income (loss) from continuing operations | 87,521 | 2.9 | (42.3) | 151,577 | 5.3 | N/M | (16,958) | (0.6) | |
| (Loss) income from discontinued operations, net of tax | (3,125) | (0.1) | N/M | 523 | — | 90.2 | 275 | — | |
| Net income (loss) | 84,396 | 2.8 | (44.5) | 152,100 | 5.4 | N/M | (16,683) | (0.6) | |
| Net income attributable to | 5,942 | 0.2 | (18.4) | 7,285 | 0.3 | 104.1 | 3,569 | 0.1 | |

| | | | | | | | | |
|--------------------------|----------|-------|--------|-----------|-----|-----|-------------|-------|
| noncontrolling interests | | | | | | | | |
| Net income (loss) | | | | | | | | |
| attributable to | \$78,454 | 2.6 | (45.8) | \$144,815 | 5.1 | N/M | \$(20,252) | (0.7) |
| Diebold, Incorporated | | | | | | | | |
| Amounts attributable to | | | | | | | | |
| Diebold, Incorporated | | | | | | | | |
| Income (loss) from | | | | | | | | |
| continuing | \$81,579 | 2.7 | | \$144,292 | 5.1 | | \$(20,527) | (0.7) |
| operations, net of tax | | | | | | | | |
| (Loss) income from | | | | | | | | |
| discontinued | (3,125) | (0.1) | | 523 | — | | 275 | — |
| operations, net of tax | | | | | | | | |
| Net income (loss) | | | | | | | | |
| attributable to | \$78,454 | 2.6 | | \$144,815 | 5.1 | | \$(20,252) | (0.7) |
| Diebold, Incorporated | | | | | | | | |

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RESULTS OF OPERATIONS

2012 comparison with 2011

Net Sales

The following table represents information regarding our net sales for the years ended December 31:

| | 2012 | 2011 | \$ Change | % Change |
|-----------|-------------|-------------|-----------|----------|
| Net sales | \$2,991,693 | \$2,835,848 | \$155,845 | 5.5 |

FSS sales in 2012 improved \$174,356 or 8.2 percent compared to 2011. The increase in FSS sales included a net unfavorable currency impact of \$85,545 or 4.5 percent, of which approximately 56 percent related to the Brazilian real. The following division highlights include the impact of foreign currency. DNA sales increased \$181,576 or 20.9 percent as a result of significant growth within the U.S. regional and national bank business influenced by the Americans with Disabilities Act compliance and a focus on deposit automation technology. With the expiration of the Americans with Disabilities Act compliance deadline, the rate of growth in regional sales has slowed and led to a higher concentration of national bank sales. DI sales decreased by \$7,220 or 0.6 percent related to the following: EMEA decreased \$20,085 or 5.8 percent; Latin America, including Brazil, increased \$9,228 or 1.8 percent; and Asia Pacific increased \$3,637 or 0.9 percent. The decrease in EMEA was driven by an unfavorable currency impact, particularly the euro and rand, partially offset with growth in South Africa compared to the prior year. The increase in Latin America, including Brazil, was influenced by higher volume across most of the geographies despite the currency headwinds related to the Brazilian real. The improvement in Asia Pacific was driven by higher volume in Thailand, partially offset by an unfavorable currency impact associated mostly with the Indian rupee.

Security solutions sales in 2012 increased by \$18,135 or 3.0 percent compared to 2011. DNA increased \$3,938 or 0.7 percent compared to the prior year combined with improvement in DI of \$14,197 or 20.4 percent. The DNA variance was driven from an increase in infrastructure projects for government agency and commercial customers, partially offset by lower volume with financial customers compared to the prior year. The DI variance was a result of higher volume in Latin America, mostly in Colombia and Chile, combined with an increase in Asia Pacific related to growth in India that was partially offset by lower volume in Australia.

The Brazilian-based election and lottery systems sales in 2012 decreased by \$36,646 or 39.5 percent compared to 2011, inclusive of a \$13,608 net unfavorable currency impact. The decrease was driven by a \$46,116 reduction in election system sales primarily due to lower volume, partially offset with an increase in lottery unit sales compared to 2011.

Gross Profit

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

| | 2012 | 2011 | \$ Change | % Change |
|-------------------------|-----------|-----------|-----------|----------|
| Gross profit - services | \$410,848 | \$414,145 | \$(3,297) | (0.8) |
| Gross profit - products | 325,305 | 321,784 | 3,521 | 1.1 |
| Total gross profit | \$736,153 | \$735,929 | \$224 | — |
| Gross margin - services | 25.3 | % 26.7 | % | |
| Gross margin - products | 23.8 | % 25.1 | % | |
| Total gross margin | 24.6 | % 26.0 | % | |

The decrease in service gross margin for 2012 compared to 2011 was driven by DNA and Latin America, including Brazil, partially offset with improvement in EMEA. In DNA, service margin was down compared to the prior year due to the increased competitive environment and associated pricing impact coupled with higher compensation and benefits, scrap, and insurance charges. The decrease in Latin America, including Brazil, was driven by an increase in warranty expense combined with higher restructuring charges in 2012. In EMEA, service margin improved as fewer net restructuring charges were incurred in 2012 related to the EMEA reorganization paired with a favorable customer mix. Total service gross margin for 2012 included \$6,226 of net restructuring charges compared to \$10,678 of net restructuring charges in 2011.

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The decrease in product gross margin was driven by product and customer mix differences in Latin America, including Brazil, as well as continued pricing pressure in the Asia Pacific region. Partially offsetting these decreases, DNA product revenue was significantly higher in 2012, which caused a favorable shift in revenue mix between DNA and DI that improved product gross margin. Total product gross margin for 2012 included \$1,849 of net restructuring accrual benefits compared to \$3,905 of net restructuring charges in 2011 related mainly to the EMEA reorganization.

Operating Expenses

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

| | 2012 | 2011 | \$ Change | % Change |
|---|-----------|-----------|-----------|----------|
| Selling and administrative expense | \$510,979 | \$501,186 | \$9,793 | 2.0 |
| Research, development and engineering expense | 85,881 | 78,108 | 7,773 | 10.0 |
| Impairment of assets | 15,783 | 2,962 | 12,821 | N/M |
| Gain on sale of assets, net | (1,202) | (1,921) | 719 | (37.4) |
| Total operating expenses | \$611,441 | \$580,335 | \$31,106 | 5.4 |

Selling and administrative expense increased \$9,793 or 2.0 percent in 2012 compared to 2011. The increase was due to higher non-routine expenses, compensation and benefits increase, and legal expenses, partially offset by a favorable currency impact of \$13,848 and lower restructuring charges. Selling and administrative expense in 2012 and 2011 included non-routine expenses of \$24,792 and \$13,230, respectively. The majority of non-routine expenses in 2012 were related to early pension buy-out payments made to certain deferred terminated vested participants while most of the non-routine expenses in 2011 pertained to legal, consultative, and audit costs related to the global FCPA investigation. In addition, selling and administrative expense included \$9,037 and \$11,607 of restructuring charges in 2012 and 2011, respectively. The 2012 restructuring charges related to the Company's global realignment and global shared services plans. The 2011 restructuring charges related mainly to the EMEA reorganization.

Research, development and engineering expense as a percent of net sales in 2012 and 2011 were 2.9 percent and 2.8 percent, respectively and increased \$7,773 year over year. The increase in operational spend was associated with key initiatives such as the development of next generation hardware and software platforms. Research, development and engineering expense also included higher restructuring charges associated with the Company's global realignment plan.

During the second quarter of 2012, the Company impaired previously capitalized software and software-related costs of \$6,701 due to changes in the global ERP system implementation plan related to configuration and design. In the third quarter of 2012, the Company recorded an impairment of \$7,930 related to its 50 percent ownership in Shanghai Diebold King Safe Company, Ltd. In the fourth quarter of 2012, the Company recorded an impairment of \$1,012 related to the Company's decision to cancel the new corporate headquarters project. The impairment charge of \$2,962 in 2011 resulted from a non-cash intangible asset impairment related to a prior acquisition.

Operating Profit

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

| | 2012 | 2011 | \$ Change | % Change |
|------------------|-----------|-----------|------------|----------|
| Operating profit | \$124,712 | \$155,594 | \$(30,882) | (19.8) |

| | | | | |
|-------------------------|-----|---|-----|---|
| Operating profit margin | 4.2 | % | 5.5 | % |
|-------------------------|-----|---|-----|---|

The decrease in operating profit in 2012 compared to 2011 was influenced by a decrease in both service and product gross margins paired with the increase in operating expenses noted above. All of these items combined to produce a 1.3 percentage point decrease in operating profit margin in 2012 compared to 2011.

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Other Income (Expense)

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

| | 2012 | 2011 | \$ Change | % Change |
|-----------------------------------|-----------|------------|------------|----------|
| Investment income | \$37,593 | \$41,663 | \$(4,070) |) (9.8) |
| Interest expense | (30,330) |) (34,456) |) (4,126) |) (12.0) |
| Foreign exchange gain (loss), net | 2,654 | 3,095 | (441) |) 14.2 |
| Miscellaneous, net | (17,203) |) (1,504) |) (15,699) |) N/M |
| Other income (expense) | \$(7,286) |) \$8,798 | \$(16,084) |) N/M |

Miscellaneous expense was unfavorable \$15,699 driven primarily from non-routine expenses of \$16,750 and \$3,250 in 2012 and 2011, respectively. These non-routine expenses related to the Company's estimate of losses associated with the potential outcome of the FCPA investigation. Interest expense in 2012 was favorable compared to 2011 due to lower interest rates and favorable foreign exchange hedge activity. Investment income declined in 2012 from the influence of a net unfavorable currency impact in DI.

Income from Continuing Operations

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

| | 2012 | 2011 | \$ Change | % Change |
|---|----------|-----------|------------|----------|
| Income from continuing operations, net of tax | \$87,521 | \$151,577 | \$(64,056) |) 42.3 |
| Percent of net sales | 2.9 | % 5.3 | % | |
| Effective tax rate | 25.5 | % 7.8 | % | |

The decrease in net income from continuing operations in 2012 compared to 2011 was driven by the reduction in operating profit margin, a decrease in other income, and the increase in the effective tax rate. The 17.7 percentage point increase in the effective tax rate was due to the 2011 benefit of valuation allowance released in Brazil, offset by 2012 net income in jurisdictions with a lower tax rate.

Segment Revenue and Operating Profit Summary

The following table represents information regarding our revenue by reporting segment for the years ended December 31:

| | 2012 | 2011 | \$ Change | % Change |
|-----------------|-------------|-------------|-----------|----------|
| DNA | \$1,590,532 | \$1,405,018 | \$185,514 | 13.2 |
| DI | 1,401,161 | 1,430,830 | (29,669) |) (2.1) |
| Total net sales | \$2,991,693 | \$2,835,848 | \$155,845 | 5.5 |

The increase in DNA net sales was driven by growth in the FSS business, particularly related to higher product volume in both the U.S. regional and national bank business. The higher FSS product volume influenced growth in service installations and software-led services. Partially offsetting these increases was a reduction in security product volume in the U.S. national bank business.

The decrease in DI net sales was influenced by a net unfavorable currency impact of \$99,131, of which approximately 62 percent related to the Brazilian real. Operationally, DI realized higher FSS volumes in Latin America, including Brazil, Asia Pacific, and EMEA. In addition, Latin America generated a higher volume of security sales, particularly Colombia and Chile, while Brazil benefited from an increase in lottery unit sales in 2012 compared to 2011. These increases were partially offset with fewer election system sales in Brazil for 2012.

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The following table represents information regarding our operating profit by reporting segment for the years ended December 31:

| | 2012 | 2011 | \$ Change | % Change |
|------------------------|-----------|-----------|------------|----------|
| DNA | \$103,596 | \$123,033 | \$(19,437) |) (15.8) |
| DI | 21,116 | 32,561 | (11,445) |) (35.1) |
| Total operating profit | \$124,712 | \$155,594 | \$(30,882) |) (19.8) |

DNA operating profit for 2012 decreased by \$19,437 compared to 2011. The decrease was driven by a lower margin in traditional maintenance services related to competitive pricing and higher compensation and benefits, scrap, and insurance charges. Operating expenses were also higher in DNA related to an increase in non-routine expenses and restructuring charges, higher compensation and benefit costs, impairment charges, and research, development and engineering expense. These decreases were partially offset by higher FSS product volume in the U.S. regional bank business.

DI operating profit for 2012 decreased by \$11,445 compared to 2011. The decrease was driven by customer and product mix differences in Latin America, including Brazil as well as fewer election system sales compared to the prior year. In addition, pricing pressures continued in the Asia Pacific region. Partially offsetting these decreases, EMEA benefited from fewer restructuring charges related to the 2011 reorganization combined with operational improvement related to customer and product mix. An improvement in operating expenses was realized across a mix of geographies, inclusive of a favorable currency impact and higher impairment charges.

Refer to note 19 to the consolidated financial statements for further details of segment revenue and operating profit.

2011 comparison with 2010

Net Sales

The following table represents information regarding our net sales for the years ended December 31:

| | 2011 | 2010 | \$ Change | % Change |
|-----------|-------------|-------------|-----------|----------|
| Net sales | \$2,835,848 | \$2,823,793 | \$12,055 | 0.4 |

FSS sales in 2011 increased by \$91,156 or 4.5 percent compared to 2010. The increase in FSS sales included a net favorable currency impact of \$45,972, of which approximately 50 percent related to the Brazilian real. The following division highlights include the impact of foreign currency. DNA increased \$107,193 or 14.1 percent due to continued growth within the U.S. regional bank business with customer demand focused on meeting regulatory requirements and providing deposit automation technology. DI sales decreased by \$16,037 or 1.2 percent related to the following: Latin America, including Brazil, decreased \$58,343 or 10.0 percent, EMEA decreased \$5,487 or 1.6 percent and Asia Pacific increased \$47,793 or 13.6 percent. The decrease in Latin America, including Brazil, was driven mainly from lower volume in Brazil paired with improvement across most of Latin America. The decrease in EMEA was influenced by lower volumes in Europe, partially offset with growth in Africa. The increase in Asia Pacific resulted from additional volume in several countries most notably China and India.

Security solutions sales in 2011 decreased by \$24,843 or 3.9 percent compared to 2010. DNA decreased \$22,756 or 4.1 percent compared to the prior year and DI decreased by \$2,087 or 2.9 percent. The reduction in DNA was influenced by lower product volumes in the U.S. regional and national bank business. The DI variance was due to a reduction in Asia Pacific mostly from Australia, partially offset by improvement in Latin America compared to 2010.

The Brazil-based lottery and election systems sales decreased \$54,258 or 36.9 percent in 2011 compared to 2010. This decrease was driven by a \$47,767 reduction in election sales as well as a \$6,491 decrease in lottery sales compared to 2010. Election sales decreased due to cyclical purchasing decisions within the country.

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Gross Profit

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

| | 2011 | 2010 | \$ Change | % Change |
|-------------------------|-----------|-----------|-----------|----------|
| Gross profit - services | 414,145 | 393,120 | 21,025 | 5.3 |
| Gross profit - products | 321,784 | 326,445 | (4,661) | (1.4) |
| Total gross profit | \$735,929 | \$719,565 | \$16,364 | 2.3 |
| Gross margin - services | 26.7 | % 26.3 | % | |
| Gross margin - products | 25.1 | % 24.5 | % | |
| Total gross margin | 26.0 | % 25.5 | % | |

The increase in service gross margin resulted from operational cost efficiencies in Brazil as well as growth in DNA, Asia Pacific and Latin America. Partially offsetting these increases, EMEA realized lower margin mostly due to higher restructuring charges in 2011 related to the EMEA reorganization. Total service gross margin for 2011 included \$10,678 of restructuring charges compared to \$540 of charges in the same period of 2010.

The increase in product gross margin was driven by DNA with higher volumes and favorable customer mix, primarily from the U.S. regional bank business as well as favorable absorption in the U.S. manufacturing plants due to higher production volume. Partially offsetting these improvements, a reduction in DI was related mostly to lower volume in Brazil paired with lower margins across most of the other geographies. Additionally, the total product gross margin in 2011 and 2010 included restructuring charges of \$3,905 and \$1,163, respectively.

Operating Expenses

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

| | 2011 | 2010 | \$ Change | % Change |
|---|-----------|-----------|-------------|----------|
| Selling and administrative expense | \$501,186 | \$472,956 | \$28,230 | 6.0 |
| Research, development and engineering expense | 78,108 | 74,225 | 3,883 | 5.2 |
| Impairment of assets | 2,962 | 175,849 | (172,887) | (98.3) |
| Gain on sale of assets, net | (1,921) | (1,663) | (258) | 15.5 |
| Total operating expenses | \$580,335 | \$721,367 | \$(141,032) | (19.6) |

Selling and administrative expense increased in 2011 compared to 2010 due to higher compensation and benefits, \$7,976 of unfavorable currency impact, higher restructuring expenses and lower non-routine income, partially offset with a reduction in non-routine expenses. Selling and administrative expense in 2011 and 2010 included net, non-routine expense of \$13,230 and \$16,234, respectively. Net non-routine expense in 2011 primarily pertained to legal, consultative, audit and severance costs related to the FCPA investigation. Net non-routine expense in 2010 included settlement and legal fees related to an employment class action lawsuit and legal and professional fees driven by the FCPA investigation, partially offset by non-routine income of \$4,148 consisting of reimbursements from the Company's director and officer insurance carriers. In addition, selling and administrative expense included \$11,607 and \$3,809 of restructuring charges in 2011 and 2010, respectively. The 2011 restructuring charges related primarily to the EMEA reorganization.

Research, development and engineering expense as a percent of net sales in 2011 and 2010 was 2.8 percent and 2.6 percent, respectively. The increase as a percent of net sales was due to higher project volume and focus on innovation. The impairment charges in 2011 resulted from non-cash intangible asset impairments related primarily to prior acquisitions. The impairment charges in 2010 resulted from a \$168,714 non-cash goodwill impairment charge associated with the Company's EMEA business, an impairment related to customer contract intangible assets and an other-than-temporary impairment related to a cost method investment.

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Operating (Loss) Profit

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

| | 2011 | 2010 | \$ Change | % Change |
|--------------------------------|-----------|-----------|-------------|----------|
| Operating profit (loss) | \$155,594 | \$(1,802) |) \$157,396 | N/M |
| Operating profit (loss) margin | 5.5 | % (0.1 |)% | |

The increase in operating profit in 2011 compared to 2010 resulted from a decrease in operating expenses mostly related to a reduction in impairment charges in EMEA, partially offset by an increase in other operating expenses noted above. In addition, operating profit increased due to improved product and service margins and an increased service revenue base.

Other Income (Expense)

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

| | 2011 | 2010 | \$ Change | % Change |
|-----------------------------------|----------|-----------|-----------|----------|
| Investment income | \$41,663 | \$34,545 | \$7,118 | 20.6 |
| Interest expense | (34,456 |) (37,887 |) (3,431 |) (9.1) |
| Foreign exchange gain (loss), net | 3,095 | (1,301 |) (4,396 |) N/M |
| Miscellaneous, net | (1,504 |) 4,048 | (5,552 |) N/M |
| Other income (expense) | \$8,798 | \$(595 |) \$9,393 | N/M |

Investment income in 2011 was favorable compared to 2010, driven primarily by Brazil, with a combination of increased investment and favorable currency impact. The improvement in foreign exchange was influenced by the realization of favorable currency positions. Interest expense was favorable compared to the same period in 2010 due to favorable interest rates and lower fees.

Income (Loss) from Continuing Operations

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

| | 2011 | 2010 | \$ Change | % Change |
|--|---------|---------|-----------|----------|
| Income (loss) from continuing operations, net of tax | 151,577 | (16,958 |) 168,535 | N/M |
| Percent of net sales | 5.3 | (0.6 |) | |
| Effective tax rate | 7.8 | % 607.5 | % | |

The increase in net income from continuing operations in 2011 compared to 2010 resulted from lower operating expenses related to the 2010 non-cash goodwill impairment charge that did not recur in 2011, higher gross profit and favorable other income. The effective tax rate in 2011 was positively impacted by an approximately \$28,000 valuation allowance released in Brazil. Sustained improvement in operating results, combined with a more favorable outlook for business in Brazil, triggered the release of this valuation allowance on deferred tax assets. The effective tax rate in 2010 was negatively impacted by the impairment of non-deductible goodwill.

Segment Revenue and Operating Profit Summary

The following table represents information regarding our revenue by reporting segment for the years ended December 31:

| | 2011 | 2010 | \$ Change | % Change |
|-----------------|-------------|-------------|-----------|----------|
| DNA | \$1,405,018 | \$1,320,581 | \$84,437 | 6.4 |
| DI | 1,430,830 | 1,503,212 | (72,382) |) (4.8) |
| Total net sales | \$2,835,848 | \$2,823,793 | \$12,055 | 0.4 |

The increase in DNA net sales was due to higher FSS product volume in both the U.S. regional and national bank business. In addition, higher volume was also realized in managed and other services. Partially offsetting the increases, a reduction in security products was realized in both the U.S. regional and national bank business.

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The decrease in DI net sales was due primarily to lower FSS and election systems volume in Brazil, partially offset by a net favorable currency impact of \$58,917, of which approximately 59 percent related to Brazil. These decreases were also partially offset by service revenue growth in Asia Pacific compared to 2010.

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

| | 2011 | 2010 | \$ Change | % Change |
|-------------------------------|---------|----------|-----------|----------|
| DNA | 123,033 | 81,022 | 42,011 | 51.9 |
| DI | 32,561 | (82,824) |) 115,385 | (139.3) |
| Total operating profit (loss) | 155,594 | (1,802) |) 157,396 | N/M |

DNA operating profit for 2011 increased by \$42,011 or 51.9 percent compared to 2010. The increase was driven primarily by higher FSS product volume in the U.S. regional bank business, improvement in U.S. installation related to higher volume and cost efficiencies as well as a reduction in non-routine expenses. These increases were partially offset with an increase in operating expense related mostly to higher compensation and benefits as well as lower non-routine income.

DI operating profit for 2011 increased by \$115,385 compared to 2010 primarily due to a non-cash goodwill impairment charge of \$168,714 incurred in 2010 associated with the Company's EMEA business. Partially offsetting this improvement were lower FSS and election systems sales in Brazil, higher restructuring expenses related mostly to the EMEA reorganization and higher operational expenses across most geographies.

Refer to note 19 to the consolidated financial statements for further details of segment revenue and operating profit.

LIQUIDITY AND CAPITAL RESOURCES

Capital resources are obtained from income retained in the business, borrowings under the Company's senior notes, committed and uncommitted credit facilities, long-term industrial revenue bonds and operating and capital leasing arrangements. Management expects that the Company's capital resources will be sufficient to finance planned working capital needs, research and development activities, investments in facilities or equipment, pension contributions, the payment of dividends on the Company's common shares and the purchase of the Company's common shares for at least the next 12 months. At December 31, 2012, approximately \$614,000 or 97 percent of the Company's cash and cash equivalents and short-term investments reside in international tax jurisdictions. Repatriation of these funds could be negatively impacted by potential foreign and domestic taxes. Part of the Company's growth strategy is to pursue strategic acquisitions. The Company has made acquisitions in the past and intends to make acquisitions in the future. The Company intends to finance any future acquisitions with either cash and short-term investments, cash provided from operations, borrowings under available credit facilities, proceeds from debt or equity offerings and/or the issuance of common shares.

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

| Net cash flow provided by (used in): | 2012 | 2011 | 2010 |
|--|-----------|-------------|-------------|
| Operating activities | \$135,508 | \$215,397 | \$273,353 |
| Investing activities | (72,831) |) (90,706) |) (164,756) |
| Financing activities | (36,227) |) (123,535) |) (111,100) |
| Effect of exchange rate changes on cash and cash equivalents | 8,422 | 4,106 | 2,735 |

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| | | | |
|---|----------|---------|-------|
| Net increase in cash and cash equivalents | \$34,872 | \$5,262 | \$232 |
|---|----------|---------|-------|

During 2012, the Company generated \$135,508 in cash from operating activities, a decrease of \$79,889 from 2011. Cash flows from operating activities are generated primarily from operating income and managing the components of working capital. Cash flows from operating activities during the year ended December 31, 2012 compared to the year ended December 31, 2011, were negatively impacted by a \$67,704 decrease in net income, as well as unfavorable changes in trade receivables, prepaid expenses, refundable income taxes, other current assets, accounts payable and deferred revenue. These changes were partially offset by favorable changes in inventories, deferred income taxes, pension and postretirement benefits and certain other assets and liabilities, including the sale of finance receivables.

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Net cash used in investing activities was \$72,831 in 2012, a decrease of \$17,875 from 2011. The decrease was primarily due to a \$43,681 change in net investment security activity, a \$8,309 decrease in other asset expenditures and a decrease of \$5,011 in capital expenditures. These activities were partially offset by \$28,292 paid for acquisitions in 2012 and a \$6,086 decrease in collections on purchased finance receivables.

Net cash used in financing activities was \$36,227 in 2012, a decrease of \$87,308 from 2011. The decrease was primarily due to a decrease of common share repurchases of \$108,363, an increase in the issuance of common shares related to share-based compensation activity of \$12,636 and a decrease of \$3,776 in distributions to noncontrolling interest holders. This was partially offset by a \$39,566 increase in net borrowings.

Benefit Plans The Company expects to contribute \$3,343 to its pension plans during the year ending December 31, 2013. Beyond 2013, minimum statutory funding requirements for the Company's U.S. pension plans may become significant. However, the actual amounts required to be contributed are dependent upon, among other things, interest rates, underlying asset returns and the impact of legislative or regulatory actions related to pension funding obligations. The Company has adopted a pension investment policy designed to achieve an adequate funded status based on expected benefit payouts and to establish an asset allocation that will meet or exceed the return assumption while maintaining a prudent level of risk. The plan's target asset allocation adjusts based on the plan's funded status. As the funded status improves or declines, the debt security target allocation will increase and decrease, respectively. Payments due under the Company's other postretirement benefit plans are not required to be funded in advance, but are paid as medical costs are incurred by covered retirees, and are principally dependent upon the future cost of retiree medical benefits under these plans. We expect the other postretirement benefit plan payments to approximate \$1,607 in 2013, net of a benefit of approximately \$191 from the Medicare prescription subsidy. Refer to note 12 to the consolidated financial statements for further discussion of the Company's pension and other postretirement benefit plans.

Dividends The Company paid dividends of \$72,830, \$72,901 and \$71,900 in the years ended December 31, 2012, 2011 and 2010, respectively. Annualized dividends per share were \$1.14, \$1.12 and \$1.08 for the years ended December 31, 2012, 2011 and 2010, respectively. The quarterly 2013 cash dividend, which represents \$1.15 per share on an annualized basis, marks the Company's 60th consecutive annual dividend increase.

Contractual Obligations The following table summarizes the Company's approximate obligations and commitments to make future payments under contractual obligations as of December 31, 2012:

| | Total | Payment due by period | | | |
|-------------------------------------|-----------|-----------------------|-----------|-----------|-------------------|
| | | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Minimum operating lease obligations | \$224,205 | \$41,932 | \$57,195 | \$35,659 | \$89,419 |
| Debt | 651,746 | 109,212 | 2,437 | 490,090 | 50,007 |
| Interest on debt (1) | 93,684 | 21,161 | 49,277 | 12,038 | 11,208 |
| Purchase commitments | 9,772 | 9,772 | — | — | — |
| Total | \$979,407 | \$182,077 | \$108,909 | \$537,787 | \$150,634 |

(1) Amounts represent estimated contractual interest payments on outstanding long-term debt and notes payable. Rates in effect as of December 31, 2012 are used for variable rate debt.

At December 31, 2012, the Company also had uncertain tax positions of \$13,178, for which there is a high degree of uncertainty as to the expected timing of payments (refer to note 4 to the consolidated financial statements).

As of December 31, 2012, the Company had various short-term uncommitted lines of credit with borrowing limits of \$111,337. The weighted-average interest rate on outstanding borrowings on the short-term uncommitted lines of credit as of December 31, 2012 and 2011 was 2.81 percent and 4.23 percent, respectively. The decline in the weighted-average interest rate is attributable to the change in geographic mix of borrowings. Short-term uncommitted lines mature in less than one year. The amount available under the short-term uncommitted lines at December 31, 2012 was \$77,421.

In June 2011, the Company entered into a five-year credit facility, which replaced its previous credit facility. As of December 31, 2012, the Company had borrowing limits under the credit facility totaling \$500,000. Under the terms of the credit facility agreement,

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the Company has the ability, subject to various approvals, to increase the borrowing limits by \$250,000. Up to \$50,000 of the revolving credit facility is available under a swing line subfacility. The weighted-average interest rate on outstanding credit facility borrowings as of December 31, 2012 and 2011 was 1.33 percent and 1.49 percent, respectively, which is variable based on the London Interbank Offered Rate (LIBOR). The amount available under the credit facility as of December 31, 2012 was \$200,000. The Company incurred \$1,876 of fees related to its credit facility in 2011, which are amortized as a component of interest expense over the term of the facility.

In March 2006, the Company issued senior notes in an aggregate principal amount of \$300,000 with a weighted-average fixed interest rate of 5.50 percent. The maturity dates of the senior notes are staggered, with \$75,000, \$175,000 and \$50,000 becoming due in 2013, 2016 and 2018, respectively. As of December 31, 2012, although due within twelve months, \$75,000 of the senior notes remain classified as long-term debt because of the Company's intent and ability to fund the repayment using amounts available under its credit facility. Additionally, the Company entered into a pre-issuance cash flow hedge to offset interest rate risk on \$200,000 of the senior notes, which reduced the effective interest rate by 14 basis points from 5.50 to 5.36 percent.

The Company's financing agreements contain various restrictive financial covenants, including net debt to capitalization and net interest coverage ratios. As of December 31, 2012, the Company was in compliance with the financial covenants in its debt agreements.

Off-Balance Sheet Arrangements The Company enters into various arrangements not recognized in the consolidated balance sheets that have or could have an effect on its financial condition, results of operations, liquidity, capital expenditures or capital resources. The principal off-balance sheet arrangements that the Company enters into are guarantees 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 14 to the 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 consolidated balance sheets and recording gains and losses in the consolidated statement of operations. Refer to note 6 to the consolidated financial statements for further details on finance lease receivables.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of the Company's financial condition and results of operations are based upon the Company's consolidated financial statements. The consolidated financial statements of the Company are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of the accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities and reported amounts of revenues and expenses. Such estimates include revenue recognition, the valuation of trade and financing receivables, inventories, goodwill, intangible assets, other long-lived assets, legal contingencies, guarantee obligations, and assumptions used in the calculation of income taxes, pension and postretirement benefits and

customer incentives, among others. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors. Management monitors the economic conditions and other factors and will adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

The Company's significant accounting policies are described in note 1 to the consolidated financial statements. Management believes that, of its significant accounting policies, its policies concerning revenue recognition, allowances for credit losses, inventory reserves, goodwill, taxes on income and pensions and postretirement benefits are the most critical because they are affected significantly by judgments, assumptions and estimates. Additional information regarding these policies is included below.

Revenue Recognition In general, the Company records revenue when it is realized, or realizable and earned. The application of U.S. GAAP revenue recognition principles to the Company's customer contracts requires judgment, including the determination of whether an arrangement includes multiple deliverables such as hardware, software, maintenance and/or other services. For contracts that contain multiple deliverables, total arrangement consideration is allocated at the inception of the arrangement to each deliverable based on the relative selling price method. The relative selling price method is based on a hierarchy consisting of vendor specific objective evidence (VSOE) (price sold on a stand-alone basis), if available, or third-party evidence (TPE), if

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VSOE is not available, or estimated selling price (ESP) if neither VSOE nor TPE is available. The Company's ESP is consistent with the objective of determining VSOE, which is the price at which we would expect to transact on a stand-alone sale of the deliverable. The determination of ESP is based on applying significant judgment to weigh a variety of company-specific factors including our pricing practices, customer volume, geography, internal costs and gross margin objectives, information gathered from experience in customer negotiations, recent technological trends and competitive landscape. In contracts that involve multiple deliverables, maintenance services are typically accounted for under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 605-20 Separately Priced Extended Warranty and Product Maintenance Contracts. There have been no material changes to these estimates for the periods presented and the Company believes that these estimates generally should not be subject to significant changes in the future. However, changes to deliverables in future arrangements could materially impact the amount of earned or deferred revenue.

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

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

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

Goodwill Goodwill is the cost in excess of the net assets of acquired businesses (refer to note 10 to the consolidated financial statements). The Company tests all existing goodwill at least annually as of November 30 for impairment on a “reporting unit” basis. The Company tests for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the carrying value of a reporting unit below its reported amount. The Company’s reporting units are defined as Domestic and Canada, Brazil, Latin America, Asia Pacific, and Europe, Middle East and Africa (EMEA). Each year, the Company may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. In evaluating whether it is more likely than not the fair value of a reporting unit is less than its carrying amount, the Company considers the following events and circumstances, among others, if applicable: (a) macroeconomic conditions such as general economic conditions, limitations on accessing capital or other developments in equity and credit markets; (b) industry and market considerations such as competition, multiples or metrics and changes in the market for the Company's products and services or regulatory and political environments; (c) cost factors such as raw materials, labor or other costs; (d) overall financial performance such as cash flows, actual and planned revenue and earnings compared with actual and projected results of relevant prior periods; (e) other relevant events such as changes in key personnel, strategy or customers; (f) changes in the composition of a reporting unit's assets or expected sales of all or a portion of a reporting unit; and (g) any sustained decrease in share price.

If the Company's qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying value, or if management elects to perform a quantitative assessment of goodwill, a two-step impairment test is used to identify potential goodwill impairment and measure the amount of any impairment loss to be recognized. In the first step, the Company compares the fair value of each reporting unit with its carrying value. The fair value is determined based upon discounted

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estimated future cash flows as well as the market approach or guideline public company method. The Company's Step 1 impairment test of goodwill of a reporting unit is based upon the fair value of the reporting unit, defined as the price that would be received to sell the net assets or transfer the net liabilities in an orderly transaction between market participants at the assessment date. In the event that the net carrying amount exceeds the fair value, a Step 2 test must be performed whereby the fair value of the reporting unit's goodwill must be estimated to determine if it is less than its net carrying amount. In its two-step test, the Company uses the discounted cash flow method and the guideline company method for determining the fair value of its reporting units. Under these methods, the determination of implied fair value of the goodwill for a particular reporting unit is the excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities in the same manner as the allocation in a business combination.

The techniques used in the Company's qualitative assessment and, if necessary, two-step impairment test have incorporated a number of assumptions that the Company believes to be reasonable and to reflect market conditions forecast at the assessment date. Assumptions in estimating future cash flows are subject to a high degree of judgment. The Company makes all efforts to forecast future cash flows as accurately as possible with the information available at the time a forecast is made. To this end, the Company evaluates the appropriateness of its assumptions as well as its overall forecasts by comparing projected results of upcoming years with actual results of preceding years and validating that differences therein are reasonable. Key assumptions, all of which are Level 3 inputs (refer to note 18 to the consolidated financial statements), relate to price trends, material costs, discount rate, customer demand, and the long-term growth and foreign exchange rates. A number of benchmarks from independent industry and other economic publications were also used. Changes in assumptions and estimates after the assessment date may lead to an outcome where impairment charges would be required in future periods. Specifically, actual results may vary from the Company's forecasts and such variations may be material and unfavorable, thereby triggering the need for future impairment tests where the conclusions may differ in reflection of prevailing market conditions.

In 2012, goodwill was reviewed for impairment based on a two-step test (refer to note 1 to the consolidated financial statements), which resulted in no impairment in any of the Company's reporting units. As a result of the 2012 Step 1 impairment test, the Company concluded the Brazil reporting unit had excess fair value of approximately \$113,348 or 22.0 percent when compared to its carrying amount. The amount of goodwill in the Company's Brazil reporting unit was \$120,571 as of December 31, 2012. All other reporting units had excess fair value greater than 20 percent when compared to their carrying amounts.

In 2011, the Company performed a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. In the 2011 qualitative assessment, management concluded that the Company's reporting units were not at risk of failing step one and therefore the two-step impairment test was not performed.

In 2010, goodwill was reviewed for impairment based on a two-step test. In 2010, management concluded that all of the Company's goodwill within the EMEA reporting unit was not recoverable and recorded a \$168,714,000 non-cash impairment charge during the fourth quarter 2010.

Taxes on Income Deferred taxes are provided on an asset and liability method, whereby deferred tax assets are recognized for deductible temporary differences, operating loss carry-forwards and tax credits. Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

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

The Company regularly assesses its position with regard to tax exposures and records liabilities for these uncertain tax positions and related interest and penalties, if any, when the tax benefit is not more likely than not realizable. The Company has recorded an accrual that reflects the recognition and measurement process for the financial statement recognition and measurement of a tax

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position taken or expected to be taken on a tax return. Additional future income tax expense or benefit may be recognized once the positions are effectively settled.

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

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

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

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

| | 2012 | | 2011 | |
|---|------|---|------|---|
| Healthcare cost trend rate assumed for next year | 8.0 | % | 8.0 | % |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 4.2 | % | 4.2 | % |
| Year that rate reaches ultimate trend rate | 2099 | | 2099 | |

The healthcare trend rates are reviewed based upon the results of actual claims experience. The Company used healthcare cost trends of 8.0 percent and 8.0 percent in 2013 and 2012, respectively, decreasing to an ultimate trend of

4.2 percent in 2009 for both medical and prescription drug benefits using the Society of Actuaries Long Term Trend Model with assumptions based on the 2008 Medicare Trustees' projections. Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

| | One-Percentage-Point Increase | One-Percentage-Point Decrease | |
|---|----------------------------------|----------------------------------|---|
| Effect on total of service and interest cost | \$ 51 | \$ (46 |) |
| Effect on other postretirement benefit obligation | 911 | (825 |) |

RECENTLY ISSUED ACCOUNTING GUIDANCE

Refer to note 1 to the consolidated financial statements of this annual report on Form 10-K for information on recently issued accounting guidance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS as of December 31, 2012
DIEBOLD, INCORPORATED AND SUBSIDIARIES
(unaudited)
(dollars in thousands, except per share amounts)

FORWARD-LOOKING STATEMENT DISCLOSURE

In this annual report on Form 10-K, statements that are not reported financial results or other historical information are "forward-looking statements." Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. These forward-looking statements 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, 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," "plans," "projects," "expects," "intends" and similar expressions is intended to identify forward-looking statements that have been made and may in the future be made by or on behalf of the Company.

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

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

- competitive pressures, including pricing pressures and technological developments;
- changes in the Company's relationships with customers, suppliers, distributors and/or partners in its business ventures;
- changes in political, economic or other factors such as currency exchange rates, inflation rates, recessionary or expansive trends, taxes and regulations and laws affecting the worldwide business in each of the Company's operations, including Brazil, where a significant portion of the Company's revenue is derived;
- global economic conditions, including any additional deterioration and disruptions in the financial markets, including 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;
- acceptance of the Company's product and technology introductions in the marketplace;
- the Company's ability to maintain effective internal controls;
- changes in the Company's intention to repatriate cash and cash equivalents and short-term investments residing in international tax jurisdictions could negatively impact foreign and domestic taxes;
- unanticipated litigation, claims or assessments, as well as the outcome/impact of any current/pending litigation, claims or assessments, including with respect to the Company's Brazilian tax dispute;
- variations in consumer demand for financial self-service technologies, products and services;
- potential security violations to the Company's information technology systems;
- the investment performance of the Company's pension plan assets, which could require the Company to increase its pension contributions, and significant changes in health care costs, including those that may result from government

action;

the amount and timing of repurchases of the Company's common shares, if any;

the outcome of the company's global FCPA review and any actions taken by government agencies in connection with the company's self-disclosure, including the pending DOJ and SEC investigations;

the Company's ability to settle the FCPA investigation, and the ultimate amount of any losses incurred therewith;

the Company's ability to achieve benefits from its cost-reduction initiatives and other strategic changes, including its restructuring actions; and

the risk factors described above under Item 1A "Risk Factors."

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ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to foreign currency exchange rate risk inherent in its international operations denominated in currencies other than the U.S. dollar. A hypothetical 10 percent movement in the applicable foreign exchange rates would have resulted in an increase or decrease in 2012 and 2011 year-to-date operating profit of approximately \$5,946 and \$7,909, respectively. The sensitivity model assumes an instantaneous, parallel shift in the foreign currency exchange rates. Exchange rates rarely move in the same direction. The assumption that exchange rates change in an instantaneous or parallel fashion may overstate the impact of changing exchange rates on amounts denominated in a foreign currency.

The Company's risk-management strategy uses derivative financial instruments such as forwards to hedge certain foreign currency exposures. The intent is to offset gains and losses that occur on the underlying exposures, with gains and losses on the derivative contracts hedging these exposures. The Company does not enter into derivatives for trading purposes. The Company's primary exposures to foreign exchange risk are movements in the euro/U.S. dollar, U.S. dollar/Brazilian real, Australian dollar/U.S. dollar and Chinese yuan renmindbi/U.S. dollar. There were no significant changes in the Company's foreign exchange risks in 2012 compared with 2011.

The Company's Venezuelan operations consist of a fifty-percent owned subsidiary, which is consolidated. Venezuela is measured using the U.S. dollar as its functional currency because its economy is considered highly inflationary. In recent years, the Venezuelan bolivar has devalued. In the future, fluctuations in the bolivar may result in gains or losses in the statement of operations.

The Company manages interest rate risk with the use of variable rate borrowings under its committed and uncommitted credit facilities and interest rate swaps. Variable rate borrowings under the credit facilities totaled \$345,816 and \$324,472 at December 31, 2012 and 2011, respectively, of which \$50,000 and \$25,000, respectively, was effectively converted to fixed rate using interest rate swaps. A one percentage point increase or decrease in interest rates would have resulted in an increase or decrease in interest expense of approximately \$2,662 and \$2,896 for 2012 and 2011, respectively, including the impact of the swap agreements. The Company's primary exposure to interest rate risk is movements in the London Interbank Offered Rate (LIBOR), which is consistent with prior periods.

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ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS SCHEDULES

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All other schedules are omitted because they are not applicable.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Diebold, Incorporated:

We have audited the accompanying consolidated balance sheets of Diebold, Incorporated and subsidiaries (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the years in the three-year period ended December 31, 2012. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule, Schedule II "Valuation and Qualifying Accounts." These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Diebold, Incorporated and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 15, 2013 expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Cleveland, Ohio
February 15, 2013

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Diebold, Incorporated:

We have audited Diebold, Incorporated's (the Company) internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Diebold, Incorporated's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A(b) of the Company's December 31, 2012 annual report on Form 10-K. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness related to controls over indirect taxes and communication to corporate management has been identified in management's assessment. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Diebold, Incorporated and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the years in the three-year period ended December 31, 2012. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2012 consolidated financial statements, and this report does not affect our report dated February 15, 2013, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, because of the effect of the aforementioned material weakness on the achievement of the objectives of the control criteria, Diebold, Incorporated has not maintained effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

Cleveland, Ohio
February 15, 2013

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DIEBOLD, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

| | December 31, 2012 | 2011 |
|---|----------------------|-------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$368,792 | \$333,920 |
| Short-term investments | 261,886 | 286,853 |
| Trade receivables, less allowances for doubtful accounts of \$27,854 and \$22,128, respectively | 488,373 | 414,969 |
| Inventories | 412,996 | 440,900 |
| Deferred income taxes | 143,248 | 114,250 |
| Prepaid expenses | 35,614 | 31,452 |
| Refundable income taxes | 16,357 | 14,467 |
| Other current assets | 87,591 | 95,544 |
| Total current assets | 1,814,857 | 1,732,355 |
| Securities and other investments | 77,101 | 74,869 |
| Property, plant and equipment at cost | 661,910 | 642,256 |
| Less accumulated depreciation and amortization | 477,565 | 449,562 |
| Property, plant and equipment, net | 184,345 | 192,694 |
| Goodwill | 272,951 | 253,063 |
| Deferred income taxes | 76,375 | 91,090 |
| Other assets | 167,358 | 173,372 |
| Total assets | \$2,592,987 | \$2,517,443 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Notes payable | \$34,212 | \$21,722 |
| Accounts payable | 224,973 | 221,964 |
| Deferred revenue | 222,343 | 241,992 |
| Payroll and benefits liabilities | 69,814 | 79,854 |
| Other current liabilities | 287,513 | 258,685 |
| Total current liabilities | 838,855 | 824,217 |
| Long-term debt | 617,534 | 606,154 |
| Pensions and other benefits | 198,241 | 148,399 |
| Other postretirement benefits | 22,904 | 23,196 |
| Deferred income taxes | 34,250 | 32,029 |
| Other long-term liabilities | 35,892 | 25,188 |
| Commitments and contingencies | — | — |
| Equity | | |
| Diebold, Incorporated shareholders' equity | | |
| Preferred shares, no par value, 1,000,000 authorized shares, none issued | — | — |
| Common shares, \$1.25 par value, 125,000,000 authorized shares, 77,661,118 and 76,840,956 issued shares, 63,240,667 and 62,513,615 outstanding shares, respectively | 97,076 | 96,051 |

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| | | |
|---|-------------|-------------|
| Additional capital | 358,281 | 327,805 |
| Retained earnings | 996,834 | 991,210 |
| Treasury shares, at cost (14,420,451 and 14,327,341 shares, respectively) | (551,189) | (547,737) |
| Accumulated other comprehensive loss | (91,039) | (40,343) |
| Total Diebold, Incorporated shareholders' equity | 809,963 | 826,986 |
| Noncontrolling interests | 35,348 | 31,274 |
| Total equity | 845,311 | 858,260 |
| Total liabilities and equity | \$2,592,987 | \$2,517,443 |

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

| | Year ended December 31, | | |
|---|-------------------------|-------------|-------------|
| | 2012 | 2011 | 2010 |
| Net sales | | | |
| Services | \$1,626,521 | \$1,552,358 | \$1,493,425 |
| Products | 1,365,172 | 1,283,490 | 1,330,368 |
| | 2,991,693 | 2,835,848 | 2,823,793 |
| Cost of sales | | | |
| Services | 1,215,673 | 1,138,213 | 1,100,305 |
| Products | 1,039,867 | 961,706 | 1,003,923 |
| | 2,255,540 | 2,099,919 | 2,104,228 |
| Gross profit | 736,153 | 735,929 | 719,565 |
| Selling and administrative expense | 510,979 | 501,186 | 472,956 |
| Research, development and engineering expense | 85,881 | 78,108 | 74,225 |
| Impairment of assets | 15,783 | 2,962 | 175,849 |
| Gain on sale of assets, net | (1,202) |) (1,921) |) (1,663) |
| | 611,441 | 580,335 | 721,367 |
| Operating profit (loss) | 124,712 | 155,594 | (1,802) |
| Other income (expense) | | | |
| Investment income | 37,593 | 41,663 | 34,545 |
| Interest expense | (30,330) |) (34,456) |) (37,887) |
| Foreign exchange gain (loss), net | 2,654 | 3,095 | (1,301) |
| Miscellaneous, net | (17,203) |) (1,504) |) 4,048 |
| Income (loss) from continuing operations before taxes | 117,426 | 164,392 | (2,397) |
| Taxes on income | 29,905 | 12,815 | 14,561 |
| Income (loss) from continuing operations | 87,521 | 151,577 | (16,958) |
| (Loss) income from discontinued operations, net of tax | (3,125) |) 523 | 275 |
| Net income (loss) | 84,396 | 152,100 | (16,683) |
| Net income attributable to noncontrolling interests | 5,942 | 7,285 | 3,569 |
| Net income (loss) attributable to Diebold, Incorporated | \$78,454 | \$144,815 | \$(20,252) |
| Basic weighted-average shares outstanding | 63,061 | 64,244 | 65,907 |
| Diluted weighted-average shares outstanding | 63,914 | 64,792 | 65,907 |
| Basic earnings per share: | | | |
| Income (loss) from continuing operations, net of tax | \$1.29 | \$2.24 | \$(0.31) |
| (Loss) income from discontinued operations, net of tax | (0.05) |) 0.01 | — |
| Net income (loss) attributable to Diebold, Incorporated | \$1.24 | \$2.25 | \$(0.31) |
| Diluted earnings per share: | | | |
| Income (loss) from continuing operations, net of tax | \$1.28 | \$2.23 | \$(0.31) |
| (Loss) income from discontinued operations, net of tax | (0.05) |) 0.01 | — |
| Net income (loss) attributable to Diebold, Incorporated | \$1.23 | \$2.24 | \$(0.31) |
| Amounts attributable to Diebold, Incorporated | | | |
| Income (loss) from continuing operations, net of tax | \$81,579 | \$144,292 | \$(20,527) |

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| | | | |
|---|----------|-----------|-------------|
| (Loss) income from discontinued operations, net of tax | (3,125 |) 523 | 275 |
| Net income (loss) attributable to Diebold, Incorporated | \$78,454 | \$144,815 | \$(20,252) |

See accompanying notes to consolidated financial statements.

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DIEBOLD, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

| | Year ended December 31, | | |
|--|-------------------------|------------|-------------|
| | 2012 | 2011 | 2010 |
| Net income (loss) | \$84,396 | \$152,100 | \$(16,683) |
| Other comprehensive (loss) income, net of tax: | | | |
| Translation adjustment | (36,164) | (75,877) | 28,490 |
| Foreign currency hedges (net of tax of \$(1,218), \$(713) and \$0, respectively) | 1,803 | 1,055 | — |
| Interest rate hedges: | | | |
| Net gain (loss) recognized in other comprehensive income (net of tax of \$(99), \$336 and \$(141), respectively) | 141 | (491) | (442) |
| Less: reclassification adjustment for net gains included in net income (net of tax of \$(230), \$(178) and \$(257), respectively) | 91 | 156 | 305 |
| | 50 | (647) | (747) |
| Pension and other postretirement benefits: | | | |
| Prior service credit recognized during the year (net of tax of \$99, \$94 and \$133, respectively) | (160) | (164) | (187) |
| Net actuarial losses recognized during the year (net of tax of \$(6,544), \$(3,597) and \$(2,490), respectively) | 10,721 | 6,289 | 3,482 |
| Prior service cost occurring during the year (net of tax of \$0, \$0 and \$312, respectively) | — | — | (436) |
| Net actuarial losses occurring during the year (net of tax of \$23,765, \$26,062 and \$10,061, respectively) | (38,939) | (45,568) | (14,069) |
| Settlements (net of tax of \$(8,303), \$0 and \$0, respectively) | 13,604 | — | — |
| | (14,774) | (39,443) | (11,210) |
| Unrealized gain (loss) on securities, net: | | | |
| Net gain (loss) recognized in other comprehensive income | 3,304 | 1,130 | (1,264) |
| Less: reclassification adjustment for net gain (loss) included in net income | 4,523 | (1,505) | 33 |
| | (1,219) | 2,635 | (1,297) |
| Other | (168) | (494) | (220) |
| Other comprehensive (loss) income, net of tax | (50,472) | (112,771) | 15,016 |
| Comprehensive income (loss) | 33,924 | 39,329 | (1,667) |
| Less: comprehensive income attributable to noncontrolling interests | 6,166 | 8,483 | 4,238 |
| Comprehensive income (loss) attributable to Diebold, Incorporated | \$27,758 | \$30,846 | \$(5,905) |

See accompanying notes to consolidated financial statements.

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DIEBOLD, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(dollars in thousands)

| | Common Shares Number Par Value | Additional Capital | Retained Earnings | Treasury Shares | Accumulated Other Comprehensive Income (Loss) | Total Diebold, Incorporated Shareholders' Equity | Noncontrolling Interests | Total Equity | |
|--|--------------------------------------|-----------------------|----------------------|--------------------|---|--|-----------------------------|-----------------|-------------|
| Balance, January 1, 2010 | 76,093,101 | \$95,116 | \$290,689 | \$1,011,448 | \$(410,153) | \$59,279 | \$1,046,379 | \$25,647 | \$1,072,026 |
| Net (loss) income | | | (20,252) |) | | (20,252) |) 3,569 | (16,683) |) |
| Other comprehensive income | | | | | 14,347 | 14,347 | 669 | 15,016 | |
| Stock options exercised | 123,091 | 154 | 3,178 | | | 3,332 | | 3,332 | |
| Restricted shares | 5,828 | 7 | 2,182 | | | 2,189 | | 2,189 | |
| Restricted stock units issued | 88,366 | 110 | (110) |) | | — | | — | |
| Performance shares issued | 54,738 | 69 | 1,924 | | | 1,993 | | 1,993 | |
| Income tax detriment from share-based compensation | | | (1,705) |) | | (1,705) |) | (1,705) |) |
| Share-based compensation expense | | | 12,541 | | | 12,541 | | 12,541 | |
| Dividends declared and paid | | | (71,900) |) | | (71,900) |) | (71,900) |) |
| Treasury shares | | | | (25,769) |) | (25,769) |) | (25,769) |) |
| Distributions to noncontrolling interest holders, net | | | | | | — | (1,226) | (1,226) |) |
| Balance, December 31, 2010 | 76,365,124 | \$95,456 | \$308,699 | \$919,296 | \$(435,922) | \$73,626 | \$961,155 | \$28,659 | \$989,814 |
| Net income | | | 144,815 | | | 144,815 | 7,285 | 152,100 | |
| Other comprehensive (loss) income | | | | | (113,969) | (113,969) |) 1,198 | (112,771) |) |
| Stock options exercised | 150,769 | 189 | 3,854 | | | 4,043 | | 4,043 | |

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| | | | | | | | | | |
|---|------------|----------|-----------|-----------|-------------|------------|------------|----------|------------|
| Restricted shares | 9,878 | 12 | (12) | | — | | — | | — |
| Restricted stock units issued | 121,462 | 152 | (152) | | — | | — | | — |
| Performance shares issued | 186,523 | 233 | (233) | | — | | — | | — |
| Deferred shares | 7,200 | 9 | (9) | | — | | — | | — |
| Income tax benefit from share-based compensation | | | 1,362 | | | | 1,362 | | 1,362 |
| Share-based compensation expense | | | 14,296 | | | | 14,296 | | 14,296 |
| Dividends declared and paid | | | | | (72,901) | | (72,901) | | (72,901) |
| Treasury shares | | | | | (111,815) | | (111,815) | | (111,815) |
| Distributions to noncontrolling interest holders, net | | | | | | | — | (5,868) | (5,868) |
| Balance, December 31, 2011 | 76,840,956 | \$96,051 | \$327,805 | \$991,210 | \$(547,737) | \$(40,343) | \$826,986 | \$31,274 | \$858,260 |
| Net income | | | | 78,454 | | | 78,454 | 5,942 | 84,396 |
| Other comprehensive (loss) income | | | | | | (50,696) | (50,696) | 224 | (50,472) |
| Stock options exercised | 554,718 | 693 | 15,986 | | | | 16,679 | | 16,679 |
| Restricted shares | 5,828 | 7 | (7) | | | | — | | — |
| Restricted stock units issued | 164,552 | 206 | (206) | | | | — | | — |
| Performance shares issued | 87,864 | 110 | (110) | | | | — | | — |
| Deferred shares | 7,200 | 9 | (9) | | | | — | | — |
| Income tax benefit from stock-based compensation | | | 982 | | | | 982 | | 982 |
| Share-based compensation expense | | | 13,840 | | | | 13,840 | | 13,840 |
| Dividends declared and paid | | | | | (72,830) | | (72,830) | | (72,830) |
| Treasury shares | | | | | (3,452) | | (3,452) | | (3,452) |

| | | | | | | | | | |
|---|------------|----------|-----------|-----------|-------------|------------|-----------|----------|-----------|
| Distributions to noncontrolling interest holders, net | | | | | | — | | (2,092) | (2,092) |
| Balance, December 31, 2012 | 77,661,118 | \$97,076 | \$358,281 | \$996,834 | \$(551,189) | \$(91,039) | \$809,963 | \$35,348 | \$845,311 |

See accompanying notes to consolidated financial statements.

Table of ContentsDIEBOLD INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

| | Year Ended December 31, | | |
|---|-------------------------|------------|-------------|
| | 2012 | 2011 | 2010 |
| Cash flow from operating activities: | | | |
| Net income (loss) | \$84,396 | \$152,100 | \$(16,683) |
| Adjustments to reconcile net income (loss) to cash provided by operating activities: | | | |
| Depreciation and amortization | 78,644 | 79,855 | 79,253 |
| Share-based compensation | 13,840 | 14,296 | 12,541 |
| Excess tax benefits from share-based compensation | (1,843) | (1,691) | (426) |
| Impairment of assets | 15,783 | 2,962 | 175,849 |
| Devaluation of Venezuelan balance sheet | — | — | 5,148 |
| Gain on sale of assets, net | (1,202) | (1,921) | (1,663) |
| Equity in earnings of an investee | (702) | (1,813) | (2,982) |
| Cash flow from changes in certain assets and liabilities, net of the effects of acquisitions: | | | |
| Trade receivables | (75,275) | (22,790) | (69,377) |
| Inventories | 20,955 | (12,602) | 3,136 |
| Prepaid expenses | (3,490) | (119) | 5,057 |
| Refundable income taxes | (1,890) | 5,187 | 74,253 |
| Other current assets | (16,080) | (389) | (7,402) |
| Accounts payable | 2,564 | 11,741 | 65,768 |
| Deferred revenue | (21,767) | 41,610 | 8,568 |
| Deferred income taxes | (10,558) | (29,338) | (47,777) |
| Pension and other postretirement benefits | 25,681 | (14,187) | (7,450) |
| Certain other assets and liabilities | 26,452 | (7,504) | (2,460) |
| Net cash provided by operating activities | 135,508 | 215,397 | 273,353 |
| Cash flow from investing activities: | | | |
| Proceeds from sale of discontinued operations | — | 2,520 | 1,815 |
| Payments for acquisitions, net of cash acquired | (28,292) | — | — |
| Proceeds from maturities of investments | 325,403 | 259,145 | 345,911 |
| Proceeds from sale of investments | 50,431 | 52,292 | 38,016 |
| Payments for purchases of investments | (377,070) | (356,354) | (470,641) |
| Proceeds from sale of assets | 3,357 | 5,585 | 2,184 |
| Capital expenditures | (49,742) | (54,753) | (51,298) |
| Increase in certain other assets | (13,077) | (21,386) | (20,878) |
| Purchase of finance receivables, net of cash collections | 16,159 | 22,245 | (9,865) |
| Net cash used in investing activities | (72,831) | (90,706) | (164,756) |
| Cash flow from financing activities: | | | |
| Dividends paid | (72,830) | (72,901) | (71,900) |
| Debt issuance costs | — | (1,876) | — |
| Debt borrowings | 804,163 | 713,327 | 553,965 |
| Debt repayments | (780,538) | (650,136) | (569,928) |
| Distribution to noncontrolling interest holders, net | (2,092) | (5,868) | (1,226) |
| Excess tax benefits from share-based compensation | 1,843 | 1,691 | 426 |
| Issuance of common shares | 16,679 | 4,043 | 3,332 |

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| | | | | |
|---|-----------|-------------|-------------|---|
| Repurchase of common shares | (3,452 |) (111,815 |) (25,769 |) |
| Net cash used in financing activities | (36,227 |) (123,535 |) (111,100 |) |
| Effect of exchange rate changes on cash | 8,422 | 4,106 | 2,735 | |
| Increase in cash and cash equivalents | 34,872 | 5,262 | 232 | |
| Cash and cash equivalents at the beginning of the year | 333,920 | 328,658 | 328,426 | |
| Cash and cash equivalents at the end of the year | \$368,792 | \$333,920 | \$328,658 | |
| Cash (paid) received for: | | | | |
| Income taxes | \$(49,011 |) \$(27,468 |) \$15,860 | |
| Interest | \$(28,917 |) \$(30,712 |) \$(32,054 |) |
| Significant noncash investing and financing activities: | | | | |
| Finance receivables acquired | \$— | \$— | \$33,843 | |
| Liabilities assumed related to acquisition of finance receivables | \$— | \$— | \$20,861 | |
| Accrued holdback for acquisition | \$12,000 | \$— | \$— | |

See accompanying notes to consolidated financial statements.

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DIEBOLD INCORPORATED AND SUBSIDIARIES

FORM 10-K as of December 31, 2012

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation The consolidated financial statements include the accounts of Diebold, Incorporated and its wholly- and majority-owned subsidiaries (collectively, the Company). All significant intercompany accounts and transactions have been eliminated.

Use of Estimates in Preparation of Consolidated Financial Statements The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include revenue recognition, the valuation of trade and financing receivables (refer to note 7), inventories, goodwill, intangible assets, and other long-lived assets, legal contingencies, guarantee obligations, and assumptions used in the calculation of income taxes, pension and other postretirement 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 condition 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.

International Operations The financial statements of the Company's international operations are measured using local currencies as their functional currencies, with the exception of Venezuela, which is measured using the U.S. dollar as its functional currency because its economy is considered highly inflationary.

The Company translates the assets and liabilities of its non-U.S. subsidiaries at the exchange rates in effect at year end and the results of operations at the average rate throughout the year. The translation adjustments are recorded directly as a separate component of shareholders' equity, while transaction gains (losses) are included in net income. Sales to customers outside the United States in relation to total consolidated net sales approximated 48.7 percent, 52.7 percent and 55.3 percent in 2012, 2011 and 2010, respectively.

Reclassifications The Company has reclassified the presentation of certain prior-year information to conform to the current presentation.

Revenue Recognition The Company's revenue recognition policy is consistent with the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 605, Revenue Recognition (ASC 605). In general, the Company records revenue when it is realized, or realizable and earned. The Company considers revenue to be realized, or realizable and earned, when the following revenue recognition requirements are met: persuasive evidence of an arrangement exists, which is typically a customer contract; the products or services have been approved by the customer after delivery and/or installation acceptance or performance of services; the sales price is fixed or determinable within the contract; and collectability is reasonably assured. The Company's products include both hardware and the software required for the equipment to operate as intended, and for product sales, the Company determines that the earnings process is complete when title, risk of loss and the right to use equipment and/or software has transferred to the customer. Within Diebold North America (DNA), this occurs upon customer acceptance. Where

the Company is contractually responsible for installation, customer acceptance occurs upon completion of the installation of all equipment at a job site and the Company's demonstration that the equipment is in operable condition. Where the Company is not contractually responsible for installation, revenue recognition of these items is upon shipment or delivery to a customer location depending on the terms in the contract. Within DI, customer acceptance is upon the earlier of delivery or completion of the installation depending on the terms in the contract with the customer.

The application of ASC 605 to the Company's customer contracts requires judgment, including the determination of whether an arrangement includes multiple deliverables such as hardware, software, maintenance and/or other services. For contracts that contain multiple deliverables, total arrangement consideration is allocated at the inception of the arrangement to each deliverable based on the relative selling price method. The relative selling price method is based on a hierarchy consisting of vendor specific objective evidence (VSOE) (price when sold on a stand-alone basis), if available, or third-party evidence (TPE), if VSOE is not available, or estimated selling price (ESP) if neither VSOE nor TPE is available. The Company's ESP is consistent with the objective of determining VSOE, which is the price at which we would expect to transact on a stand-alone sale of the deliverable. The determination of ESP is based on applying significant judgment to weigh a variety of company-specific factors including our pricing practices, customer volume, geography, internal costs and gross margin objectives, information gathered from experience

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(dollars in thousands, except per share amounts)

in customer negotiations, recent technological trends, and competitive landscape. In contracts that involve multiple deliverables, maintenance services are typically accounted for under FASB ASC 605-20, Separately Priced Extended Warranty and Product Maintenance Contracts.

For software sales, which excludes software included in the product that is required for the equipment to operate as intended, the Company applies the software revenue recognition principles within FASB ASC 985-605, Software - Revenue Recognition. For software and software-related deliverables (software elements), the Company allocates revenue based upon the relative fair value of these deliverables as determined by VSOE. If the Company cannot obtain VSOE for any undelivered software element, revenue is deferred until all deliverables have been delivered or until VSOE can be determined for any remaining undelivered software elements. When the fair value of a delivered element has not been established, but fair value evidence exists for the undelivered software elements, the Company uses the residual method to recognize revenue. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement consideration is allocated to the delivered elements and recognized as revenue.

The Company has the following revenue streams related to sales to its customers:

Financial Self-Service Product & Integrated Services Revenue Financial self-service products, which includes both hardware and the software required for the equipment to operate as intended, are primarily automated teller machines (ATMs) and other equipment primarily used in the banking industry. The Company also provides service contracts on financial self-service products. Service contracts typically cover a 12-month period and can begin at any given month after the warranty period expires. The service provided under warranty is limited as compared to those offered under service contracts. Further, warranty is not considered a separate deliverable of the sale and covers only replacement of defective parts inclusive of labor. Service contracts are tailored to meet the individual needs of each customer. Service contracts provide additional services beyond those covered under the warranty, and usually include preventative maintenance service, cleaning, supplies stocking and cash handling, all of which are not essential to the functionality of the equipment. Additionally, service revenue includes services and parts the Company provides on a billed-work basis that are not covered by warranty or service contract. The Company also provides customers with integrated services such as outsourced and managed services which may include remote monitoring, trouble-shooting, training, transaction processing, currency management, maintenance services or full support via person to person or online communication.

Electronic Security Products & Integrated Services Revenue The Company provides global product sales, service, installation, project management for longer-term contracts and monitoring of original equipment manufacturer electronic security products to financial, government, retail and commercial customers. These solutions provide the Company's customers a single-source solution to their electronic security needs.

Physical Security & Facility Revenue The Company designs, manufactures and/or procures and installs physical security and facility products. These consist of vaults, safe deposit boxes and safes, drive-up banking equipment and a host of other banking facilities products.

Election and Lottery Systems Revenue The Company offers election and lottery systems product solutions and support to the government in Brazil. Election systems revenue consists of election equipment sales, networking, tabulation and diagnostic software development, training, support and maintenance. Lottery systems revenue primarily

consists of equipment sales. The election and lottery equipment components are included in product revenue. The software development, training, support and maintenance components are included in service revenue.

Software Solutions & Service Revenue The Company offers software solutions, which excludes software required for the equipment to operate as intended, consisting of multiple applications that process events and transactions (networking software) along with the related server. Sales of networking software represent software solutions to customers that allow them to network various different vendors' ATMs onto one network. Included within service revenue is revenue from software support agreements, which are typically 12 months in duration and pertain to networking software.

Depreciation and Amortization Depreciation of property, plant and equipment is computed using the straight-line method for financial statement purposes. Amortization of leasehold improvements is based upon the shorter of original terms of the lease or life of the improvement. Repairs and maintenance are expensed as incurred.

Amortization of the Company's other long-term assets, such as intangible assets and capitalized computer software, is computed using the straight-line method over the life of the asset.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(dollars in thousands, except per share amounts)

Advertising Costs Advertising costs are expensed as incurred and were \$11,316, \$10,474 and \$8,782 in 2012, 2011 and 2010, respectively.

Shipping and Handling Costs The Company recognizes shipping and handling fees billed when products are shipped or delivered to a customer, and includes such amounts in net sales. Third-party freight payments are recorded in cost of sales.

Taxes on Income Deferred taxes are provided on an asset and liability method, whereby deferred tax assets are recognized for deductible temporary differences, operating loss carry-forwards and tax credits. Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

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

Sales Tax The Company collects sales taxes from customers and accounts for sales taxes on a net basis.

Cash Equivalents The Company considers highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

Financial Instruments The carrying amount of cash and cash equivalents, trade receivables and accounts payable, approximated their fair value because of the relatively short maturity of these instruments. The Company's risk-management strategy uses derivative financial instruments such as forwards to hedge certain foreign currency exposures and interest rate swaps to manage interest rate risk. The intent is to offset gains and losses that occur on the underlying exposures, with gains and losses on the derivative contracts hedging these exposures. The Company does not enter into derivatives for trading purposes. The Company recognizes all derivatives on the balance sheet at fair value. Changes in the fair values of derivatives that are not designated as hedges are recognized in earnings. If the derivative is designated and qualifies as a hedge, depending on the nature of the hedge, changes in the fair value of the derivatives are either offset against the change in the hedged assets or liabilities through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings.

Inventories The Company primarily values inventories at the lower of cost or market applied on a first-in, first-out basis. At each reporting period, the Company identifies and writes down its excess and obsolete inventories to net realizable value based on usage forecasts, order volume and inventory aging. With the development of new products, the Company also rationalizes its product offerings and will write-down discontinued product to the lower of cost or net realizable value.

Deferred Revenue Deferred revenue is 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, deferred revenue is recorded for products and other deliverables that are billed to and collected from customers prior to revenue being recognizable.

Split-Dollar Life Insurance The Company recognizes a liability for the postretirement obligation associated with a collateral assignment arrangement if, based on an agreement with an employee, the Company has agreed to maintain a life insurance policy during the postretirement period or to provide a death benefit. In addition, the Company recognizes a liability and related compensation costs for future benefits that extend to postretirement periods.

Goodwill Goodwill is the cost in excess of the net assets of acquired businesses (refer to note 10). The Company tests all existing goodwill at least annually as of November 30 for impairment on a “reporting unit” basis. The Company tests for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the carrying value of a reporting unit below its reported amount. The Company’s reporting units are defined as Domestic and Canada, Brazil, Latin America, Asia Pacific, and Europe, Middle East and Africa (EMEA). Each year, the Company may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. In evaluating whether it is more likely than not the fair value of a reporting unit is less than its carrying amount, the Company considers

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(dollars in thousands, except per share amounts)

the following events and circumstances, among others, if applicable: (a) macroeconomic conditions such as general economic conditions, limitations on accessing capital or other developments in equity and credit markets; (b) industry and market considerations such as competition, multiples or metrics and changes in the market for the Company's products and services or regulatory and political environments; (c) cost factors such as raw materials, labor or other costs; (d) overall financial performance such as cash flows, actual and planned revenue and earnings compared with actual and projected results of relevant prior periods; (e) other relevant events such as changes in key personnel, strategy or customers; (f) changes in the composition of a reporting unit's assets or expected sales of all or a portion of a reporting unit; and (g) any sustained decrease in share price.

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

The techniques used in the Company's qualitative assessment and, if necessary, two-step impairment test have incorporated a number of assumptions that the Company believes to be reasonable and to reflect market conditions forecast at the assessment date. Assumptions in estimating future cash flows are subject to a high degree of judgment. The Company makes all efforts to forecast future cash flows as accurately as possible with the information available at the time a forecast is made. To this end, the Company evaluates the appropriateness of its assumptions as well as its overall forecasts by comparing projected results of upcoming years with actual results of preceding years and validating that differences therein are reasonable. Key assumptions, all of which are Level 3 inputs (refer to note 18), relate to price trends, material costs, discount rate, customer demand, and the long-term growth and foreign exchange rates. A number of benchmarks from independent industry and other economic publications were also used. Changes in assumptions and estimates after the assessment date may lead to an outcome where impairment charges would be required in future periods. Specifically, actual results may vary from the Company's forecasts and such variations may be material and unfavorable, thereby triggering the need for future impairment tests where the conclusions may differ in reflection of prevailing market conditions.

Contingencies Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Legal costs incurred in connection with loss contingencies are expensed as incurred.

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

The Company recognizes the funded status of each of its plans in the consolidated balance sheet. Amortization of unrecognized net gain or loss resulting from experience different from that assumed and from changes in assumptions (excluding asset gains and losses not yet reflected in market-related value) is included as a component of net periodic benefit cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds five percent of the greater of the projected benefit obligation or

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(dollars in thousands, except per share amounts)

the market-related value of plan assets. If amortization is required, the amortization is that excess divided by the average remaining service period of participating employees expected to receive benefits under the plan.

Comprehensive Income Items included in other comprehensive income primarily represent adjustments made for foreign currency translation, pension and other postretirement benefit plans (refer to note 12) unrealized gains and losses on available-for-sale securities (refer to note 5) and hedging activities (refer to note 16).

Accumulated other comprehensive (loss) income consists of the following as of December 31:

| | 2012 | 2011 | 2010 |
|---|------------|------------|-----------|
| Translation adjustment | \$68,393 | \$104,781 | \$181,856 |
| Foreign currency hedges | (7,827) | (10,848) | (12,616) |
| Interest rate hedges | (2,169) | (2,088) | (927) |
| Pensions and other postretirement benefits | (243,872) | (220,081) | (158,079) |
| Unrealized gain (loss) on securities, net | 119 | 1,338 | (1,297) |
| Other | (882) | (714) | (220) |
| | (186,238) | (127,612) | 8,717 |
| Income tax benefit | 95,199 | 87,269 | 64,909 |
| Total accumulated other comprehensive (loss) income | \$(91,039) | \$(40,343) | \$73,626 |

Foreign currency translation adjustments are not booked net of tax. Those adjustments are accounted for under the indefinite reversal criterion of FASB ASC 740-30, Income Taxes — Other Considerations or Special Areas.

Recently Adopted Accounting Guidance

In June 2011, the FASB issued Accounting Standards Update (ASU) 2011-05, Presentation of Comprehensive Income (ASU 2011-05), which eliminates the option to present components of other comprehensive income (OCI) as part of the statement of changes in stockholders' equity. The amendments in this standard require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Subsequently, in December 2011, the FASB issued ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income (ASU 2011-12), which indefinitely defers the requirement in ASU 2011-05 to present on the face of the financial statements reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented. The Company has provided the required statements of comprehensive income for the years ended December 31, 2012, 2011 and 2010. In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04). ASU 2011-04 amended Accounting Standards Codification 820, Fair Value Measurements and Disclosures, to converge the fair value measurement guidance in U.S. GAAP and International Financial Reporting Standards (IFRSs). ASU 2011-04 changes the wording used to describe many requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Disclosure requirements have been expanded to include additional information about transfers between level 1 and level 2 of the fair value hierarchy and level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. Additionally, ASU 2011-04 clarifies the FASB's intent about the application of existing fair value measurements including: (a) the application of the highest and best use valuation premise concepts; (b) measuring the fair value of an instrument classified in a reporting entity's stockholders' equity; and (c) quantitative information required for fair value measurements categorized within

level 3. The adoption of this guidance did not have an impact on the Company's consolidated financial statements; however, the Company provided additional disclosure as required by ASU 2011-04 in note 18.

Recently Issued Accounting Guidance

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which required entities to disclose additional information for items reclassified out of accumulated other comprehensive income (AOCI). For items reclassified out of AOCI and into net income in their entirety, entities are required to disclose the effect of the reclassification on each affected net income line item. For AOCI reclassification items that are not reclassified in their

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(dollars in thousands, except per share amounts)

entirety into net income, a cross reference to other required U.S. GAAP disclosures is required. This information may be provided either in the notes or parenthetically on the face of the statement that reports net income as long as all the information is disclosed in a single location. However, an entity is prohibited from providing this information parenthetically on the face of the statement that reports net income if it has items that are not reclassified in their entirety into net income. The guidance is effective for annual and interim reporting periods beginning after December 15, 2012. The adoption of this update will not have a material impact on the financial statements of the Company. In July 2012, the FASB issued ASU 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment, which allows assessment of qualitative factors to determine if it is more likely than not that the fair value of indefinite-lived intangible assets are less than their carrying amount. If that assessment indicates no impairment, the quantitative impairment test is not required. The FASB issued similar guidance for testing goodwill for impairment in September 2011. The guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The adoption of this update is not expected to have a material impact on the financial statements of the Company.

NOTE 2: EARNINGS PER SHARE

Basic earnings per share is based on the weighted-average number of common shares outstanding. Diluted earnings per share includes the dilutive effect of potential common shares outstanding. Under the two-class method of computing earnings 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 per share under both the treasury stock method and the two-class method. For the years presented there were no differences in the earnings per share amounts calculated using the two methods. Accordingly, the treasury stock method is disclosed below.

The following table represents amounts used in computing earnings per share and the effect on the weighted-average number of shares of dilutive potential common shares for the years ended December 31:

| | 2012 | 2011 | 2010 |
|---|----------|-----------|-------------|
| Numerator: | | | |
| Income (loss) used in basic and diluted earnings per share: | | | |
| Income (loss) from continuing operations, net of tax | \$81,579 | \$144,292 | \$(20,527) |
| (Loss) income from discontinued operations, net of tax | (3,125 |) 523 | 275 |
| Net income (loss) attributable to Diebold, Incorporated | \$78,454 | \$144,815 | \$(20,252) |
| Denominator (in thousands): | | | |
| Weighted-average number of common shares used in basic earnings per share | 63,061 | 64,244 | 65,907 |
| Effect of dilutive shares (1) | 853 | 548 | — |
| Weighted-average number of shares used in diluted earnings per share | 63,914 | 64,792 | 65,907 |
| Basic earnings per share: | | | |
| Income (loss) from continuing operations, net of tax | \$1.29 | \$2.24 | \$(0.31) |
| (Loss) income from discontinued operations, net of tax | (0.05 |) 0.01 | — |
| Net income (loss) attributable to Diebold, Incorporated | \$1.24 | \$2.25 | \$(0.31) |

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Diluted earnings per share:

| | | | | |
|---|--------|--------|----------|---|
| Income (loss) from continuing operations, net of tax | \$1.28 | \$2.23 | \$(0.31) |) |
| (Loss) income from discontinued operations, net of tax | (0.05 |) 0.01 | — |) |
| Net income (loss) attributable to Diebold, Incorporated | \$1.23 | \$2.24 | \$(0.31) |) |

Anti-dilutive shares (in thousands):

| | | | |
|--|-------|-------|-------|
| Anti-dilutive shares not used in calculating diluted weighted-average shares | 2,201 | 2,270 | 2,658 |
|--|-------|-------|-------|

(1) Incremental shares of 632,000 were excluded from the computation of diluted EPS for the year ended December 31, 2010 because their effect is anti-dilutive due to the loss from continuing operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(dollars in thousands, except per share amounts)

NOTE 3: SHARE-BASED COMPENSATION AND EQUITY

Dividends On the basis of amounts declared and paid, the annualized dividends per share were \$1.14, \$1.12 and \$1.08 for the years ended December 31, 2012, 2011 and 2010, respectively.

Share-Based Compensation Cost The Company recognizes costs resulting from all share-based payment transactions based on the fair market value of the award as of the grant date. Awards are valued at fair value and compensation cost is recognized on a straight-line basis over the requisite periods of each award. The Company estimated forfeiture rates are based on historical experience. To cover the exercise and/or vesting of its share-based payments, the Company generally issues new shares from its authorized, unissued share pool. The number of common shares that may be issued pursuant to the Amended and Restated 1991 Equity and Performance Incentive Plan (as amended and restated as of April 13, 2009) (1991 Plan) was 6,666,570, of which 2,342,109 shares were available for issuance at December 31, 2012.

The following table summarizes the components of the Company's employee and non-employee share-based compensation programs recognized as selling and administrative expense for the years ended December 31:

| | 2012 | 2011 | 2010 |
|--|----------|----------|----------|
| Stock options: | | | |
| Pre-tax compensation expense | \$2,572 | \$3,486 | \$3,540 |
| Tax benefit | (825) |) (1,238 |) (1,310 |
| Stock option expense, net of tax | \$1,747 | \$2,248 | \$2,230 |
| Restricted Stock Units: | | | |
| Pre-tax compensation expense | \$5,741 | \$5,734 | \$4,355 |
| Tax benefit | (1,809) |) (1,845 |) (1,611 |
| RSU expense, net of tax | \$3,932 | \$3,889 | \$2,744 |
| Performance shares: | | | |
| Pre-tax compensation expense | \$4,425 | \$4,076 | \$3,820 |
| Tax benefit | (1,602) |) (1,459 |) (1,413 |
| Performance share expense, net of tax | \$2,823 | \$2,617 | \$2,407 |
| Deferred shares: | | | |
| Pre-tax compensation expense | \$1,102 | \$1,000 | \$826 |
| Tax benefit | (408) |) (370 |) (306 |
| Deferred share expense, net of tax | \$694 | \$630 | \$520 |
| Total share-based compensation: | | | |
| Pre-tax compensation expense | \$13,840 | \$14,296 | \$12,541 |
| Tax benefit | (4,644) |) (4,912 |) (4,640 |
| Total share-based compensation, net of tax | \$9,196 | \$9,384 | \$7,901 |

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(dollars in thousands, except per share amounts)

The following table summarizes information related to unrecognized share-based compensation costs as of December 31, 2012:

| | Unrecognized Cost | Weighted-Average Period (years) |
|--------------------|----------------------|---------------------------------------|
| Stock options | \$7,764 | 2.6 |
| RSUs | 10,752 | 1.8 |
| Performance shares | 5,986 | 1.2 |
| Deferred shares | 259 | 0.3 |
| | \$24,761 | |

EMPLOYEE SHARE-BASED COMPENSATION AWARDS

Stock options, RSUs, restricted shares and performance shares have been issued to officers and other management employees under the Company's 1991 Plan.

Stock Options

Stock options generally vest over a four- or five-year period and have a maturity of ten years from the issuance date. Option exercise prices equal the closing price of the Company's common shares on the date of grant. The estimated fair value of the options granted was calculated using a Black-Scholes option pricing model using the following assumptions:

| | 2012 | 2011 | 2010 |
|-----------------------------|--------------|--------------|--------------|
| Expected life (in years) | 6-7 | 6-7 | 6-7 |
| Weighted-average volatility | 41 | % 40 | % 40 |
| Risk-free interest rate | 0.83 - 1.39% | 1.15 - 3.05% | 2.77 - 3.15% |
| Expected dividend yield | 3.08 - 3.23% | 2.74 - 2.97% | 2.44 - 2.63% |

The Company uses historical data to estimate option exercise timing within the valuation model. Employees with similar historical exercise behavior with regard to timing and forfeiture rates are considered separately for valuation and attribution purposes. Expected volatility is based on historical volatility of the price of the Company's common shares. The risk-free rate of interest is based on a zero-coupon U.S. government instrument over the expected life of the equity instrument. The expected dividend yield is based on actual dividends paid per share and the price of the Company's common shares.

Options outstanding and exercisable as of December 31, 2012 and changes during the year ended were as follows:

| | Number of Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value (1) |
|--|---------------------|------------------------------------|---|-------------------------------------|
| | (in thousands) | (per share) | (in years) | |
| Outstanding at January 1, 2012 | 3,201 | \$ 36.70 | | |
| Expired or forfeited | (555) |) 37.33 | | |
| Exercised | (554) |) 30.11 | | |
| Granted | 576 | 34.98 | | |
| Outstanding at December 31, 2012 | 2,668 | 37.56 | 5 | \$2,617 |
| Options exercisable at December 31, 2012 | 1,572 | 40.96 | 3 | 1,703 |

| | | | | |
|---|-------|-------|---|-------|
| Options vested and expected to vest (2) at December 31, 2012 | 2,638 | 37.62 | 5 | 2,589 |
|---|-------|-------|---|-------|

The aggregate intrinsic value represents the total pre-tax intrinsic value (the difference between the Company's closing share price on the last trading day of the year in 2012 and the exercise price, multiplied by the number of (1) "in-the-money" options) that would have been received by the option holders had all option holders exercised their options on December 31, 2012. The amount of aggregate intrinsic value will change based on the fair market value of the Company's common shares.

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

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The aggregate intrinsic value of options exercised for the years ended December 31, 2012, 2011 and 2010 was \$4,393, \$936 and \$510, respectively. The weighted-average grant-date fair value of stock options granted for the years ended December 31, 2012, 2011 and 2010 was \$10.43, \$10.90 and \$9.46, respectively. Total fair value of stock options vested during the years ended December 31, 2012, 2011 and 2010 was \$3,413, \$2,967 and \$3,059, respectively. Exercise of options during the year ended December 31, 2012, 2011 and 2010 resulted in cash receipts of \$16,679, \$4,043 and \$3,332, respectively. The tax (benefit) expense during the years ended December 31, 2012, 2011 and 2010 related to the exercise of employee stock options were \$(982), \$(1,362) and \$1,705, respectively.

Restricted Stock Units

Each RSU provides for the issuance of one common share of the Company at no cost to the holder and generally vests after three to seven years. During the vesting period, employees are paid the cash equivalent of dividends on RSUs. Non-vested RSUs are forfeited upon termination unless the Board of Directors determines otherwise.

Non-vested RSUs outstanding as of December 31, 2012 and changes during the year ended were as follows:

| | Number of Shares | Weighted-Average Grant-Date Fair Value |
|---------------------------------|---------------------|--|
| | (in thousands) | |
| Non-vested at January 1, 2012 | 717 | \$ 30.69 |
| Forfeited | (71) |) 31.19 |
| Vested | (165) |) 25.53 |
| Granted | 251 | 35.16 |
| Non-vested at December 31, 2012 | 732 | 33.33 |

The weighted-average grant-date fair value of RSUs granted for the years ended December 31, 2012, 2011 and 2010 was \$35.16, \$32.86 and \$27.16, respectively. The total fair value of RSUs vested during the years ended December 31, 2012, 2011 and 2010 was \$4,202, \$3,226 and \$3,989, respectively.

Performance Shares

Performance shares are granted based on certain management 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 performance share objectives are generally calculated over a three-year period and no shares are granted unless certain management threshold objectives are met.

Non-vested performance shares outstanding as of December 31, 2012 and changes during the year ended were as follows:

| | Number of Shares | Weighted-Average Grant-Date Fair Value |
|-------------------------------|---------------------|--|
| | (in thousands) | |
| Non-vested at January 1, 2012 | 727 | \$ 34.70 |
| Forfeited | (215) |) 30.99 |
| Vested | (86) |) 29.25 |

| | | |
|---------------------------------|-----|-------|
| Granted | 303 | 44.25 |
| Non-vested at December 31, 2012 | 729 | 40.41 |

Non-vested performance shares are based on a maximum potential payout. Actual shares granted at the end of the performance period may be less than the maximum potential payout level depending on achievement of performance share objectives. The weighted-average grant-date fair value of performance shares granted for the years ended December 31, 2012, 2011 and 2010 was \$44.25, \$39.74 and \$35.89, respectively. The total fair value of performance shares vested during the years ended December 31, 2012, 2011 and 2010 was \$2,521, \$5,041 and \$3,026, respectively.

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NON-EMPLOYEE SHARE BASED COMPENSATION AWARDS

Director Deferred Shares

Deferred shares have been issued to non-employee directors under the 1991 Plan. Deferred shares provide for the issuance of a common share of the Company at no cost to the holder. Deferred shares vest in either a six- or twelve-month period and are issued at the end of the deferral period. During the vesting period and until the common shares are issued, non-employee directors are paid the cash equivalent of dividends on deferred shares.

Non-vested deferred shares as of December 31, 2012 and changes during the year ended were as follows:

| | Number of Shares | Weighted-Average Grant-Date Fair Value |
|----------------------------------|---------------------|--|
| | (in thousands) | |
| Non-vested at January 1, 2012 | 19 | \$ 33.98 |
| Vested | (27 |) 36.05 |
| Granted | 28 | 40.54 |
| Non-vested at December 31, 2012 | 20 | 40.54 |
| Vested at December 31, 2012 | 116 | 34.36 |
| Outstanding at December 31, 2012 | 136 | 35.27 |

The weighted-average grant-date fair value of deferred shares granted for the years ended December 31, 2012, 2011 and 2010 was \$40.54, \$33.98 and \$33.28, respectively. The aggregate intrinsic value of deferred shares released during the years ended December 31, 2012, 2011 and 2010 was \$247, \$247 and \$0, respectively. Total fair value of deferred shares vested for the years ended December 31, 2012, 2011 and 2010 was \$979, \$887 and \$819, respectively.

Other Non-employee Share-Based Compensation

In connection with the acquisition of Diebold Colombia, S.A., in December 2005, the Company issued warrants to purchase 34,789 common shares with an exercise price of \$46.00 per share and grant-date fair value of \$14.66 per share. The grant-date fair value of the warrants was valued using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 4.45 percent, dividend yield of 1.63 percent, expected volatility of 30 percent, and contractual life of six years. The warrants will expire in December 2016.

NOTE 4: INCOME TAXES

The following table presents components of income (loss) from continuing operations before income taxes for the years ended December 31:

| | 2012 | 2011 | 2010 |
|----------|-----------|------------|-----------|
| Domestic | \$(37,910 |) \$16,173 | \$(28,344 |
| Foreign | 155,336 | 148,219 | 25,947 |
| Total | \$117,426 | \$164,392 | \$(2,397 |

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The following table presents the components of income tax expense (benefit) from continuing operations for the years ended December 31:

| | 2012 | 2011 | 2010 |
|-----------------|----------|------------|------------|
| Current: | | | |
| U.S. Federal | \$3,859 | \$(921) |) \$649 |
| Foreign | 38,707 | 41,244 | 52,783 |
| State and local | 2,006 | 932 | 1,812 |
| Total current | 44,572 | 41,255 | 55,244 |
| Deferred: | | | |
| U.S. Federal | (2,344) |) 9,727 | (9,431) |
| Foreign | (11,479) |) (35,318) |) (30,368) |
| State and local | (844) |) (2,849) |) (884) |
| Total deferred | (14,667) |) (28,440) |) (40,683) |
| Taxes on income | \$29,905 | \$12,815 | \$14,561 |

In addition to the income tax expense listed above for the years ended December 31, 2012, 2011 and 2010, income tax benefit allocated directly to shareholders equity for the same periods was \$8,909, \$23,695 and \$5,512, respectively.

Income tax benefit recognized as an adjustment to goodwill was \$3,922 for the year ended December 31, 2010 and was not material for the years ended December 31, 2012 and 2011.

Income tax benefit allocated to discontinued operations for the years ended December 31, 2012, 2011 and 2010 was \$0, \$116, and \$2,836, respectively.

Income tax expense (benefit) attributable to income from continuing operations differed from the amounts computed by applying the U.S. federal income tax rate of 35 percent to pretax income from continuing operations. The following table presents these differences for the years ended December 31:

| | 2012 | 2011 | 2010 |
|---|----------|------------|------------|
| Statutory tax expense (benefit) | \$41,099 | \$57,537 | \$(839) |
| Brazil nontaxable incentive | (10,622) |) (10,652) |) (14,600) |
| Change in valuation allowance | 1,609 | (32,315) |) (6,631) |
| Brazil tax goodwill amortization | (4,802) |) (5,231) |) (4,938) |
| Foreign tax rate differential | (14,397) |) (11,001) |) 4,043 |
| U.S. taxed foreign income | 8,320 | 8,542 | 3,265 |
| Foreign taxes on undistributed earnings | 2,328 | 2,182 | — |
| Goodwill impairment | — | — | 27,647 |
| FCPA provision, nondeductible portion | 2,399 | 1,160 | — |
| Other (1) | 3,971 | 2,593 | 6,614 |
| Taxes on income | \$29,905 | \$12,815 | \$14,561 |

(1) Other consists of life insurance, state and local income taxes, net of federal benefit, nondeductible expenses, changes to uncertain tax position liabilities and other items, none of which are individually significant.

The American Taxpayer Relief Act of 2012 was enacted on January 2, 2013. Under the Act, the Federal Research and Development Tax Credit and the IRC Section 954(c)6, Look-Thru Rule for Related Controlled Foreign Corporations were retroactively reinstated for 2012. The 2012 benefit of \$1,515 for the Research and Development Credit and \$1,708 for the reversal of the additional taxes provided related to the expiration of the Controlled Foreign Corporation Look-Thru rule will be recognized as a reduction of income tax expense in the quarter ended March 31, 2013, which is the quarter that the law was enacted.

The Company recognizes the benefit of tax positions taken or expected to be taken in its tax returns in the consolidated financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position will be sustained upon

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examination by authorities. Recognized tax positions are measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement.

Details of the unrecognized tax benefits are as follows:

| | 2012 | 2011 |
|---|----------|----------|
| Balance at January 1 | \$12,636 | \$9,842 |
| Increases related to prior year tax positions | 712 | 4,431 |
| Decreases related to prior year tax positions | (181 |) (162 |
| Increases related to current year tax positions | 180 | 3,297 |
| Settlements | — | (4,442 |
| Reduction due to lapse of applicable statute of limitations | (169 |) (330 |
| Balance at December 31 | \$13,178 | \$12,636 |

The entire amount of unrecognized tax benefits, if recognized, would affect the Company's effective tax rate.

The Company classifies interest expense and penalties related to the underpayment of income taxes in the consolidated financial statements as income tax expense. Consistent with the treatment of interest expense, the Company accrues interest income on overpayments of income taxes where applicable and classifies interest income as a reduction of income tax expense in the consolidated financial statements. As of December 31, 2012 and 2011, accrued interest and penalties related to unrecognized tax benefits totaled approximately \$4,043 and \$2,387, respectively.

It is reasonably possible that the total amount of unrecognized tax benefits will change during the next 12 months. The Company does not expect those changes to have a significant impact on its consolidated financial statements. The expected timing of payments cannot be determined with any degree of certainty.

As of December 31, 2012, the Company is under audit by the IRS for tax years ended December 31, 2010, 2009 and 2008. During the year ended December 31, 2011, the Company settled the IRS exam for tax years ended December 31, 2007, 2006 and 2005. All federal tax years prior to 2004 are closed by statute. The Company is subject to tax examination in various U.S. state jurisdictions for tax years 2003 to the present, as well as various foreign jurisdictions for tax years 2005 to the present.

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Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at December 31 are as follows:

| | 2012 | 2011 |
|-------------------------------------|-----------|-----------|
| Deferred tax assets: | | |
| Accrued expenses | \$43,622 | \$39,881 |
| Warranty accrual | 26,296 | 18,386 |
| Deferred compensation | 18,587 | 18,659 |
| Allowance for doubtful accounts | 9,239 | 7,189 |
| Inventory | 11,490 | 11,610 |
| Deferred revenue | 15,361 | 14,669 |
| Pension and postretirement benefits | 66,222 | 54,990 |
| Finance lease receivables | 6,210 | — |
| Tax credits | 23,738 | 46,330 |
| Net operating loss carryforwards | 74,528 | 86,918 |
| Capital loss carryforwards | 3,534 | 3,604 |
| State deferred taxes | 17,341 | 13,061 |
| Other | 7,083 | 7,961 |
| | 323,251 | 323,258 |
| Valuation allowance | (57,303) | (66,988) |
| Net deferred tax assets | \$265,948 | \$256,270 |
| Deferred tax liabilities: | | |
| Property, plant and equipment | \$14,369 | \$20,116 |
| Goodwill | 41,175 | 36,712 |
| Finance lease receivables | — | 3,655 |
| Investment in partnership | 17,056 | 18,372 |
| Undistributed earnings | 5,016 | 4,750 |
| Other | 3,511 | 3,867 |
| Net deferred tax liabilities | 81,127 | 87,472 |
| Net deferred tax asset | \$184,821 | \$168,798 |

Deferred income taxes reported in the consolidated balance sheets as of December 31 are as follows:

| | 2012 | 2011 |
|---|-----------|-----------|
| Deferred income taxes - current assets | \$143,248 | \$114,250 |
| Deferred income taxes - long-term assets | 76,375 | 91,090 |
| Other current liabilities | (552) | (4,513) |
| Deferred income taxes - long-term liabilities | (34,250) | (32,029) |
| Net deferred tax asset | \$184,821 | \$168,798 |

At December 31, 2012, the Company had domestic and international net operating loss (NOL) carryforwards of \$520,803, resulting in an NOL deferred tax asset of \$74,528. Of these NOL carryforwards, \$407,827 expires at various times between 2013 and 2033 and \$112,976 does not expire. At December 31, 2012, the Company had a

domestic foreign tax credit carryforward resulting in a deferred tax asset of \$24,263 that will expire between years 2017 and 2020.

The Company has a valuation allowance to reflect the estimated amount of certain foreign and state deferred tax assets that, more likely than not, will not be realized. The net change in total valuation allowance for the years ended December 31, 2012 and 2011 was a decrease of \$9,685 and \$38,187, respectively. The 2012 reduction in valuation allowance is primarily attributable to the

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write off of deferred tax assets and corresponding valuation allowance for dissolved legal entities. The 2011 reduction in valuation allowance is primarily related to a change in circumstances, including sustained profitability in core operations and a favorable outlook that caused a change in judgment about the realization of a deferred tax asset in Brazil.

For the years ended December 31, 2012 and 2011, provisions were made for foreign withholding taxes and estimated U.S. income taxes, less available tax credits, which may be incurred upon the remittance of certain undistributed earnings in foreign subsidiaries and foreign unconsolidated affiliates. Provisions have not been made for income taxes on approximately \$900,000 of undistributed earnings at December 31, 2012 in foreign subsidiaries and corporate joint ventures that are deemed permanently reinvested. Determination of the amount of unrecognized deferred income tax liabilities on these earnings is not practicable because such liability, if any, depends on certain circumstances existing if and when remittance occurs. A deferred tax liability will be recognized if and when the Company no longer plans to permanently reinvest these undistributed earnings.

NOTE 5: INVESTMENTS

The Company's investments, primarily in Brazil, consist of certificates of deposit and U.S. dollar indexed bond funds that are classified as available-for-sale and stated at fair value based upon quoted market prices and net asset values, respectively. Unrealized gains and losses are recorded in OCI. Realized gains and losses are recognized in investment income and are determined using the specific identification method. Realized gains (losses) from the sale of securities, net for the year ended December 31, 2012 and 2011 were \$4,523 and \$(1,505), respectively. Proceeds from the sale of available-for-sale securities were \$50,431 and \$52,292 during the years ended December 31, 2012 and 2011, respectively.

The Company has deferred compensation plans that enable certain employees to defer receipt of a portion of their cash or share-based compensation and non-employee directors to defer receipt of director fees at the participants' discretion. For deferred cash-based compensation, the Company established a rabbi trust (refer to note 12), which is recorded at fair value of the underlying securities within securities and other investments. The related deferred compensation liability is recorded at fair value within other long-term liabilities. Realized and unrealized gains and losses on marketable securities in the rabbi trust are recognized in investment income.

The Company's investments, excluding cash surrender value of insurance contracts of \$70,318 and \$67,699 as of December 31, 2012 and 2011, respectively, consist of the following:

| | Cost Basis | Unrealized Gain/(Loss) | Fair Value |
|--------------------------------|------------|---------------------------|------------|
| As of December 31, 2012 | | | |
| Short-term investments: | | | |
| Certificates of deposit | \$258,518 | \$— | \$258,518 |
| U.S. dollar indexed bond funds | 3,249 | 119 | 3,368 |
| | \$261,767 | \$119 | \$261,886 |
| Long-term investments: | | | |
| Assets held in a rabbi trust | \$6,266 | \$517 | \$6,783 |

As of December 31, 2011

Short-term investments:

| | | | |
|--------------------------------|-----------|---------|-----------|
| Certificates of deposit | \$269,033 | \$— | \$269,033 |
| U.S. dollar indexed bond funds | 16,482 | 1,338 | 17,820 |
| | \$285,515 | \$1,338 | \$286,853 |

Long-term investments:

| | | | |
|------------------------------|---------|--------|-----------|
| Assets held in a rabbi trust | \$7,428 | \$(258 |) \$7,170 |
|------------------------------|---------|--------|-----------|

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NOTE 6: FINANCE LEASE RECEIVABLES

The Company provides financing arrangements to customers purchasing its products. These financing arrangements are largely classified and accounted for as sales-type leases. In 2012 and 2011, the Company sold finance lease receivables of \$50,255 and \$14,987, respectively. In 2010, the Company purchased \$33,843 of finance lease receivables.

The following table presents the components of finance lease receivables as of December 31:

| | 2012 | 2011 |
|--|----------|----------|
| Gross minimum lease receivable | \$76,763 | \$99,808 |
| Allowance for credit losses | (525) | (210) |
| Estimated unguaranteed residual values | 7,508 | 6,048 |
| | 83,746 | 105,646 |
| Less: | | |
| Unearned interest income | (4,771) | (6,190) |
| Unearned residuals | (1,319) | (1,160) |
| | (6,090) | (7,350) |
| Total | \$77,656 | \$98,296 |

Future minimum payments due from customers under finance lease receivables as of December 31, 2012 are as follows:

| | |
|------------|----------|
| 2013 | \$25,283 |
| 2014 | 19,700 |
| 2015 | 16,263 |
| 2016 | 11,418 |
| 2017 | 2,581 |
| Thereafter | 1,518 |
| | \$76,763 |

NOTE 7: ALLOWANCE FOR CREDIT LOSSES

Trade Receivables The Company evaluates the collectability of trade receivables based on (1) a percentage of sales related to historical loss experience and current trends and (2) periodic adjustments for known events such as specific customer circumstances and changes in the aging of accounts receivable balances. After all efforts at collection have been unsuccessful, the account is deemed uncollectible and is written off.

Financing Receivables The Company evaluates the collectability of notes and finance lease receivables (collectively, financing receivables) on a customer-by-customer basis and evaluates specific customer circumstances, aging of invoices, credit risk changes and payment patterns and historical loss experience. When the collectability is determined to be at risk based on the above criteria, the Company records the allowance for credit losses which represents the Company's current exposure less estimated reimbursement from insurance claims. After all efforts at collection have been unsuccessful, the account is deemed uncollectible and is written off.

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The following table summarizes the Company's allowance for credit losses and amount of financing receivables evaluated for impairment:

| | Finance Leases | Notes Receivable | Total |
|------------------------------|-------------------|---------------------|----------|
| Allowance for credit losses | | | |
| Balance at January 1, 2011 | \$378 | \$470 | \$848 |
| Provision for credit losses | 107 | 2,078 | 2,185 |
| Recoveries | 138 | 5,455 | 5,593 |
| Write-offs | (413 |) (5,956 |) (6,369 |
| Balance at December 31, 2011 | \$210 | \$2,047 | \$2,257 |
| Provision for credit losses | 263 | — | 263 |
| Recoveries | 52 | — | 52 |
| Write-offs | — | — | — |
| Balance at December 31, 2012 | \$525 | \$2,047 | \$2,572 |

The Company's allowance of \$2,572 and \$2,257 for the years ended December 31, 2012 and 2011, respectively, all resulted from individual impairment evaluation. As of December 31, 2012, finance leases and notes receivables individually evaluated for impairment were \$78,181 and \$12,855, respectively. As of December 31, 2011, finance leases and notes receivables individually evaluated for impairment were \$98,506 and \$13,869, 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 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 great 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 December 31, 2012 and 2011, the recorded investment in past-due finance lease receivables on nonaccrual status was \$2,060 and \$1,740, respectively. The recorded investment in finance lease receivables past due 90 days or more and still accruing interest was \$0 and \$114 as of December 31, 2012 and 2011, respectively. The recorded investment in impaired notes receivable was \$2,047 and was fully reserved as of December 31, 2012 and 2011, respectively.

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

| | December 31, | |
|---------------------|--------------|---------|
| | 2012 | 2011 |
| 30-59 days past due | \$— | \$— |
| 60-89 days past due | — | — |
| > 89 days past due | 1,840 | 1,495 |
| Total past due | \$1,840 | \$1,495 |

NOTE 8: INVENTORIES

The following table summarizes the major classes of inventories as of December 31:

| | 2012 | 2011 |
|-----------------------------------|-----------|-----------|
| Finished goods | \$183,286 | \$188,571 |
| Service parts | 151,189 | 152,597 |
| Raw materials and work in process | 78,521 | 99,732 |
| Total inventories | \$412,996 | \$440,900 |

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NOTE 9: PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment, at cost less accumulated depreciation and amortization as of December 31:

| | Estimated Useful Life (years) | 2012 | 2011 |
|--|-------------------------------------|---------|---------|
| Land and land improvements | 0-15 | 7,652 | 7,855 |
| Buildings and building equipment | 15 | 67,533 | 66,261 |
| Machinery, tools and equipment | 5-12 | 118,663 | 119,780 |
| Leasehold improvements (1) | 10 | 27,026 | 24,243 |
| Computer equipment | 3-5 | 83,822 | 78,543 |
| Computer software | 5-10 | 178,590 | 170,614 |
| Furniture and fixtures | 5-8 | 79,346 | 76,962 |
| Tooling | 3-5 | 82,539 | 80,979 |
| Construction in progress | | 16,739 | 17,019 |
| Total property plant and equipment, at cost | | 661,910 | 642,256 |
| Less accumulated depreciation and amortization | | 477,565 | 449,562 |
| Total property plant and equipment, net | | 184,345 | 192,694 |

(1) The estimated useful life for leasehold improvements is the lesser of 10 years or the term of the lease.

During 2012, 2011 and 2010, depreciation expense, computed on a straight-line basis over the estimated useful lives of the related assets, was \$51,447, \$50,549 and \$51,425, respectively.

During 2012, the Company recorded impairment charges within DNA of \$6,701 related to a portion of its global enterprise resource planning (ERP) system. Previously capitalized software and software-related costs were impaired due to changes in the ERP implementation plan related to configuration and design. In addition, the Company recorded an impairment in 2012 of \$1,134 related to the Company's decision to cancel the new corporate headquarters project.

NOTE 10: GOODWILL AND OTHER ASSETS

The changes in carrying amounts of goodwill within the Company's DNA and DI segments are summarized as follows:

| | DNA | DI | Total |
|---------------------------------|-----------|------------|------------|
| Goodwill | \$112,163 | \$377,979 | \$490,142 |
| Accumulated impairment losses | (13,171) |) (207,573 |) (220,744 |
| Balance at January 1, 2011 | \$98,992 | \$170,406 | \$269,398 |
| Currency translation adjustment | (50) |) (16,285 |) (16,335 |
| Goodwill | 112,113 | 361,694 | 473,807 |
| Accumulated impairment losses | (13,171) |) (207,573 |) (220,744 |
| Balance at December 31, 2011 | \$98,942 | \$154,121 | \$253,063 |
| Goodwill acquired | — | 26,003 | 26,003 |

| | | | | |
|---------------------------------|----------|------------|------------|---|
| Currency translation adjustment | 63 | (6,178 |) (6,115 |) |
| Goodwill | 112,176 | 381,519 | 493,695 | |
| Accumulated impairment losses | (13,171 |) (207,573 |) (220,744 |) |
| Balance at December 31, 2012 | \$99,005 | \$173,946 | \$272,951 | |

In 2012, goodwill was reviewed for impairment based on a two-step test which resulted in no impairment in any of the Company's reporting units. As a result of the 2012 Step 1 impairment test, the Company concluded the Brazil reporting unit had excess fair value of approximately \$113,348 or 22.0 percent when compared to its carrying amount. The amount of goodwill in the Company's Brazil reporting unit was \$120,571 as of December 31, 2012. All other reporting units had excess fair value greater than 25 percent when compared to their carrying amounts.

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In 2011, the Company performed a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. In the 2011 qualitative assessment, management concluded that the Company's reporting units were not at risk of failing step one and therefore the two-step impairment test was not performed.

In 2010, goodwill was reviewed for impairment based on a two-step test. In 2010, management concluded that all of the Company's goodwill within the EMEA reporting unit was not recoverable and recorded a \$168,714 non-cash impairment charge during the fourth quarter 2010.

Other Assets Included in other assets are net capitalized computer software development costs of \$49,513 and \$51,117 as of December 31, 2012 and 2011, respectively. Amortization expense on capitalized software of \$18,833, \$18,742 and \$17,315 was included in product cost of sales for 2012, 2011 and 2010, respectively. Other long-term assets also consist of patents, trademarks and other intangible assets. Where applicable, other assets are stated at cost and, if applicable, are amortized ratably over the relevant contract period or the estimated life of the assets. Fees to renew or extend the term of the Company's intangible assets are expensed when incurred.

During the year ended December 31, 2012, the Company acquired \$15,744 of amortizable intangible assets (refer to note 20) with an estimated weighted-average amortization period of eight years.

Impairment of long-lived assets is recognized when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the expected future undiscounted cash flows are less than the carrying amount of the asset, an impairment loss is recognized at that time to reduce the asset to the lower of its fair value or its net book value.

For the years ended December 31, 2011 and 2010, the Company recorded other asset-related impairment charges within DNA continuing operations of \$2,962 and \$7,135, respectively. The 2011 impairment charge related to a software intangible asset. The 2010 impairment charges related primarily to customer contract intangible assets and an other than temporary impairment of a cost-method investment.

Investment in Affiliate Investment in the Company's non-consolidated affiliate was accounted for under the equity method and consists of a 50 percent ownership in Shanghai Diebold King Safe Company, Ltd. The balance of this investment as of December 31, 2012 and 2011 was \$1,904 and \$11,461, respectively, and fluctuated based on impairment, equity earnings and dividends. Equity earnings from the non-consolidated affiliate are included in miscellaneous, net in the consolidated statements of operations and were \$702, \$1,813 and \$2,982 for the years ended December 31, 2012, 2011 and 2010, respectively. The non-consolidated affiliate declared dividends of \$2,329, \$2,470 and \$2,172 for the years ended December 31, 2012, 2011 and 2010, respectively. During the year ended December 31, 2012, the Company determined the investment was partially impaired and recorded an impairment charge of \$7,930, which was allocated to DNA and DI continuing operations. The Company determined the fair value of its investment using level three inputs (refer to note 18) such as price trends, material costs, discount rate, customer demand, and the long term growth rate. Additionally, the Company suspended the equity method of accounting for the investment during the quarter ended September 30, 2012.

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NOTE 11: DEBT

Outstanding debt balances were as follows:

| | December 31, 2012 | 2011 |
|--------------------------------------|----------------------|-----------|
| Notes payable – current: | | |
| Uncommitted lines of credit | \$33,916 | \$21,572 |
| Other | 296 | 150 |
| | \$34,212 | \$21,722 |
| Long-term debt: | | |
| Credit facility | \$300,000 | \$291,000 |
| Senior notes | 300,000 | 300,000 |
| Industrial development revenue bonds | 11,900 | 11,900 |
| Other | 5,634 | 3,254 |
| | \$617,534 | \$606,154 |

As of December 31, 2012, the Company had various short-term uncommitted lines of credit with borrowing limits of \$111,337. The weighted-average interest rate on outstanding borrowings on the short-term uncommitted lines of credit as of December 31, 2012 and 2011 was 2.81 percent and 4.23 percent, respectively. The decline in the weighted-average interest rate is attributable to the change in geographic mix of borrowings. Short-term uncommitted lines mature in less than one year. The amount available under the short-term uncommitted lines at December 31, 2012 was \$77,421.

In June 2011, the Company entered into a five-year credit facility, which replaced its previous credit facility. As of December 31, 2012, the Company had borrowing limits under the credit facility totaling \$500,000. Under the terms of the credit facility agreement, the Company has the ability, subject to various approvals, to increase the borrowing limits by \$250,000. Up to \$50,000 of the revolving credit facility is available under a swing line subfacility. The weighted-average interest rate on outstanding credit facility borrowings as of December 31, 2012 and 2011 was 1.33 percent and 1.49 percent, respectively, which is variable based on the London Interbank Offered Rate (LIBOR). The amount available under the credit facility as of December 31, 2012 was \$200,000. The Company incurred \$1,876 of fees related to its credit facility in 2011, which are amortized as a component of interest expense over the term of the facility.

In March 2006, the Company issued senior notes in an aggregate principal amount of \$300,000 with a weighted-average fixed interest rate of 5.50 percent. The maturity dates of the senior notes are staggered, with \$75,000, \$175,000 and \$50,000 becoming due in 2013, 2016 and 2018, respectively. Additionally, the Company entered into a pre-issuance cash flow hedge to offset interest rate risk on \$200,000 of the senior notes, which reduced the effective interest rate from 5.50 to 5.36 percent.

Maturities of debt as of December 31, 2012 are as follows: \$109,212 in 2013, \$1,351 in 2014, \$1,086 in 2015, \$476,662 in 2016, \$13,428 in 2017 and \$50,007 thereafter. As of December 31, 2012, although due within twelve months, \$75,000 of the senior notes remain classified as long-term debt because of the Company's intent and ability to fund the repayment using amounts available under its credit facility. Interest expense on the Company's debt instruments for the years ended December 31, 2012, 2011 and 2010 was \$23,454, \$26,002 and \$27,520, respectively.

In 1997, industrial development revenue bonds were issued on behalf of the Company. The proceeds from the bond issuances were used to construct new manufacturing facilities in the United States. The Company guaranteed the payments of principal and interest on the bonds by obtaining letters of credit. The bonds were issued with a 20-year original term and are scheduled to mature in 2017. Each industrial development revenue bond carries a variable interest rate, which is reset weekly by the remarketing agents. The weighted-average interest rate on the bonds was 0.49 percent and 0.77 percent as of December 31, 2012 and 2011, respectively. Interest expense on the bonds for the years ended December 31, 2012, 2011 and 2010 was \$88, \$88 and \$72, respectively.

The Company's financing agreements contain various restrictive financial covenants, including net debt to capitalization and net interest coverage ratios. As of December 31, 2012, the Company was in compliance with the financial and other covenants in its debt agreements.

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(dollars in thousands, except per share amounts)

NOTE 12: BENEFIT PLANS

Qualified Pension Benefits Plans that cover salaried employees provide pension benefits based on the employee's compensation during the ten years before retirement. The Company's funding policy for salaried plans is to contribute annually based on actuarial projections and applicable regulations. During the fourth quarter of 2012, \$62,754 of pension plan assets were distributed to certain deferred terminated vested participants to settle certain salary plan liabilities which resulted in \$21,907 of additional pension expense recognized in selling and administrative expense within the Company's statement of operations. Plans covering hourly employees and union members 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. Employees of the Company's operations in countries outside of the United States participate to varying degrees in local pension plans, which in the aggregate are not significant.

Supplemental Executive Retirement Benefits The Company has non-qualified pension plans to provide supplemental retirement benefits to certain officers. Benefits are payable at retirement based upon a percentage of the participant's compensation, as defined.

Other Benefits In addition to providing pension benefits, the Company provides postretirement healthcare and life insurance benefits (referred to as other benefits) for certain retired employees. Eligible employees may be entitled to these benefits based upon years of service with the Company, age at retirement and collective bargaining agreements. Currently, the Company has made no commitments to increase these benefits for existing retirees or for employees who may become eligible for these benefits in the future. Currently there are no plan assets and the Company funds the benefits as the claims are paid. The postretirement 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 following tables set forth the change in benefit obligation, change in plan assets, funded status, consolidated balance sheet presentation and net periodic benefit cost for the Company's defined benefit pension plans and other benefits at and for the years ended December 31:

| | Pension Benefits | | Other Benefits | |
|--|------------------|---------------|----------------|--------------|
| | 2012 | 2011 | 2012 | 2011 |
| Change in benefit obligation | | | | |
| Benefit obligation at beginning of year | \$636,210 | \$552,760 | \$17,022 | \$16,885 |
| Service cost | 11,446 | 10,854 | — | — |
| Interest cost | 31,831 | 31,491 | 814 | 930 |
| Actuarial loss (gain) | 96,016 | 63,079 | (414) |) 1,277 |
| Plan participant contributions | — | — | 79 | 114 |
| Medicare retiree drug subsidy reimbursements | — | — | 166 | 177 |
| Benefits paid | (23,909) |) (21,932) |) (1,940) |) (2,361) |
| Settlements | (77,910) |) — | — | — |
| Other | 27 | (42) |) — | — |
| Benefit obligation at end of year | \$673,711 | \$636,210 | \$15,727 | \$17,022 |
| Change in plan assets | | | | |
| Fair value of plan assets at beginning of year | \$485,489 | \$450,632 | \$— | \$— |
| Actual return on plan assets | 58,560 | 33,471 | — | — |
| Employer contributions | 15,711 | 23,318 | 1,861 | 2,247 |
| Plan participant contributions | — | — | 79 | 114 |
| Benefits paid | (23,909) |) (21,932) |) (1,940) |) (2,361) |
| Settlements | (62,754) |) — | — | — |
| Fair value of plan assets at end of year | \$473,097 | \$485,489 | \$— | \$— |
| Funded status | \$(200,614) |) \$(150,721) |) \$(15,727) |) \$(17,022) |
| Amounts recognized in balance sheets | | | | |
| Current liabilities | \$2,931 | \$2,846 | \$1,574 | \$1,693 |
| Noncurrent liabilities (1) | 197,683 | 147,875 | 14,153 | 15,329 |
| Accumulated other comprehensive loss: | | | | |
| Unrecognized net actuarial loss (2) | (238,144) |) (213,712) |) (4,982) |) (5,884) |
| Unrecognized prior service cost (benefit) (2) | (1,679) |) (1,935) |) 933 | 1,450 |
| Net amount recognized | \$(39,209) |) \$(64,926) |) \$11,678 | \$12,588 |
| Change in accumulated other comprehensive loss | | | | |
| Balance at beginning of year | \$(215,647) |) \$(155,050) |) \$(4,434) |) \$(3,029) |
| Prior service cost (credit) recognized during the year | 258 | 259 | (517) |) (517) |
| Net actuarial losses recognized during the year | 16,777 | 9,497 | 488 | 389 |
| Net actuarial (losses) gains occurring during the year | (63,118) |) (70,353) |) 414 | (1,277) |

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| | | | | |
|------------------------|------------|--------------|------------|------------|
| Settlements | 21,907 | — | — | — |
| Balance at end of year | \$(239,823 |) \$(215,647 |) \$(4,049 |) \$(4,434 |

- (1) Included in the consolidated balance sheets in pensions and other benefits and other postretirement benefits are international plans.
- (2) Represents amounts in accumulated other comprehensive loss that have not yet been recognized as components of net periodic benefit cost.

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| | Pension Benefits | | | Other Benefits | | |
|---|------------------|-----------|-----------|----------------|--------|--------|
| | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| Components of net periodic benefit cost | | | | | | |
| Service cost | \$11,446 | \$10,854 | \$9,994 | \$— | \$— | \$— |
| Interest cost | 31,831 | 31,491 | 30,723 | 814 | 930 | 993 |
| Expected return on plan assets | (40,821) | (40,735) | (38,412) | — | — | — |
| Amortization of prior service cost (1) | 258 | 259 | 197 | (517) | (517) | (517) |
| Recognized net actuarial loss | 16,777 | 9,497 | 5,688 | 488 | 389 | 284 |
| Settlement loss | 21,907 | — | — | — | — | — |
| Net periodic pension benefit cost | \$41,398 | \$11,366 | \$8,190 | \$785 | \$802 | \$760 |

The annual amortization of prior service cost is determined as the increase in projected benefit obligation due to the (1) plan change divided by the average remaining service period of participating employees expected to receive benefits under the plan.

The following table represents information for pension plans with an accumulated benefit obligation in excess of plan assets at December 31:

| | 2012 | 2011 |
|--------------------------------|-----------|-----------|
| Projected benefit obligation | \$673,711 | \$636,210 |
| Accumulated benefit obligation | 605,424 | 580,200 |
| Fair value of plan assets | 473,097 | 485,489 |

The following table represents the weighted-average assumptions used to determine benefit obligations at December 31:

| | Pension Benefits | | Other Benefits | | |
|-------------------------------|------------------|--------|----------------|--------|---|
| | 2012 | 2011 | 2012 | 2011 | |
| Discount rate | 4.21 | % 5.04 | % 4.21 | % 5.04 | % |
| Rate of compensation increase | 3.25 | % 3.25 | % N/A | N/A | |

The following table represents the weighted-average assumptions used to determine periodic benefit cost at December 31:

| | Pension Benefits | | Other Benefits | | |
|--|------------------|--------|----------------|--------|---|
| | 2012 | 2011 | 2012 | 2011 | |
| Discount rate | 5.04 | % 5.83 | % 5.04 | % 5.83 | % |
| Expected long-term return on plan assets | 8.25 | % 8.50 | % N/A | N/A | |
| Rate of compensation increase | 3.25 | % 3.25 | % N/A | N/A | |

The discount rate is determined by analyzing the average return of high-quality (i.e., AA-rated) fixed-income investments and the year-over-year comparison of certain widely used benchmark indices as of the measurement date. The expected long-term rate of return on plan assets is primarily determined using the plan's current asset allocation and its expected rates of return based on a geometric averaging over 20 years. The Company also considers information provided by its investment consultant, a survey of other companies using a December 31 measurement

date and the Company's historical asset performance in determining the expected long-term rate of return. The rate of compensation increase assumptions reflects the Company's long-term actual experience and future and near-term outlook.

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

| | | | | |
|---|------|---|------|---|
| | 2012 | | 2011 | |
| Healthcare cost trend rate assumed for next year | 8.0 | % | 8.0 | % |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 4.2 | % | 4.2 | % |
| Year that rate reaches ultimate trend rate | 2099 | | 2099 | |

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The healthcare trend rates are reviewed based upon the results of actual claims experience. The Company used healthcare cost trends of 8.0 percent and 8.0 percent in 2013 and 2012, respectively, decreasing to an ultimate trend of 4.2 percent in 2099 for both medical and prescription drug benefits using the Society of Actuaries Long Term Trend Model with assumptions based on the 2008 Medicare Trustees' projections. Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans.

A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

| | One-Percentage-Point Increase | One-Percentage-Point Decrease | |
|--|----------------------------------|----------------------------------|---|
| Effect on total of service and interest cost | \$ 51 | \$ (46 |) |
| Effect on postretirement benefit obligation | 911 | (825 |) |

The Company has a pension investment policy designed to achieve an adequate funded status based on expected benefit payouts and to establish an asset allocation that will meet or exceed the return assumption while maintaining a prudent level of risk. The plans' target asset allocation adjusts based on the plan's funded status. As the funded status improves or declines, the debt security target allocation will increase and decrease, respectively. The Company utilizes the services of an outside consultant in performing asset / liability modeling, setting appropriate asset allocation targets along with selecting and monitoring professional investment managers.

The plan assets are invested in equity and fixed income securities, alternative assets and cash. Within the equities asset class, the investment policy provides for investments in a broad range of publicly-traded securities including both domestic and international stocks diversified by value, growth and cap size. Within the fixed income asset class, the investment policy provides for investments in a broad range of publicly-traded debt securities with a substantial portion allocated to a long duration strategy in order to partially offset interest rate risk relative to the plans' liabilities. The alternative asset class includes investments in diversified strategies with a stable and proven track record and low correlation to the U.S. stock market.

The following table summarizes the Company's target mix for these asset classes in 2013, which are readjusted at least quarterly within a defined range, and the Company's actual pension plan asset allocation as of December 31, 2012 and 2011:

| | Target Allocation Percentage | Actual Allocation Percentage | |
|-------------------|------------------------------------|------------------------------|------|
| | 2013 | 2012 | 2011 |
| Equity securities | 45% | 44% | 35% |
| Debt securities | 40% | 39% | 51% |
| Real estate | 5% | 5% | 4% |
| Other | 10% | 12% | 10% |
| Total | 100% | 100% | 100% |

Assets are categorized into a three level hierarchy based upon the assumptions (inputs) used to determine the fair value the assets (refer to note 18).

Level 1 - Fair value of investments categorized as level 1 are determined based on period end closing prices in active markets. Mutual funds are valued at their net asset value (NAV) on the last day of the period.

Level 2 - Fair value of investments categorized as level 2 are determined based on the latest available ask price or latest trade price if listed. The fair value of unlisted securities is established by fund managers using the latest reported information for comparable securities and financial analysis. If the manager believes the fund is not capable of immediately realizing the fair value otherwise determined, the manager has the discretion to determine an appropriate value. Common collective trusts are valued at NAV on the last day of the period.

Level 3 - Fair value of investments categorized as level 3 represent the plan's interest in private equity, hedge and property funds. The fair value for these assets is determined based on the NAV as reported by the underlying investment managers.

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The following table summarizes the fair value of the Company's plan assets as of December 31, 2012:

| | Fair Value | Level 1 | Level 2 | Level 3 |
|---------------------------------|------------|-----------|-----------|----------|
| Cash and other | \$2,940 | \$2,940 | \$— | \$— |
| Mutual funds: | | | | |
| U.S. mid growth | 18,898 | 18,898 | — | — |
| Equity securities: | | | | |
| U.S. mid cap value | 17,106 | 17,106 | — | — |
| U.S. small cap core | 22,142 | 22,142 | — | — |
| International developed markets | 47,900 | 47,900 | — | — |
| Fixed income securities: | | | | |
| U.S. corporate bonds | 64,835 | — | 64,835 | — |
| International corporate bonds | 1,873 | — | 1,873 | — |
| U.S. government | 2,010 | — | 2,010 | — |
| Other fixed income | 624 | — | 624 | — |
| Emerging markets | 23,292 | — | 23,292 | — |
| Common collective trusts: | | | | |
| Real estate (a) | 25,162 | — | — | 25,162 |
| Other (b) | 194,594 | — | 194,594 | — |
| Alternative investments: | | | | |
| Multi-strategy hedge funds (c) | 28,377 | — | — | 28,377 |
| Private equity funds (d) | 23,344 | — | — | 23,344 |
| | \$473,097 | \$108,986 | \$287,228 | \$76,883 |

The following table summarizes the fair value of the Company's plan assets as of December 31, 2011:

| | Fair Value | Level 1 | Level 2 | Level 3 |
|---------------------------------|------------|----------|---------|---------|
| Cash and other | \$50,389 | \$50,389 | \$— | \$— |
| Mutual funds: | | | | |
| U.S. mid growth | 15,771 | 15,771 | — | — |
| Equity securities: | | | | |
| U.S. mid cap value | 14,672 | 14,672 | — | — |
| U.S. small cap core | 17,253 | 17,253 | — | — |
| International developed markets | 37,345 | 37,345 | — | — |
| Fixed income securities: | | | | |
| U.S. corporate bonds | 68,356 | — | 68,356 | — |
| International corporate bonds | 2,316 | — | 2,316 | — |
| U.S. government | 3,436 | — | 3,436 | — |
| Other fixed income | 598 | — | 598 | — |
| Emerging markets | 17,334 | — | 17,334 | — |
| Common collective trusts: | | | | |
| Real estate (a) | 16,443 | — | — | 16,443 |
| Other (b) | 191,421 | — | 191,421 | — |
| Alternative investments: | | | | |
| Multi-strategy hedge funds (c) | 26,605 | — | — | 26,605 |

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| | | | | |
|--------------------------|-----------|-----------|-----------|----------|
| Private equity funds (d) | 23,550 | — | — | 23,550 |
| Total | \$485,489 | \$135,430 | \$283,461 | \$66,598 |

Real estate common collective trust The objective of the real estate common collective trust (CCT) is to achieve long-term returns through investments in a broadly diversified portfolio of improved properties with stabilized occupancies. As of December 31, 2012, investments in this CCT include approximately 43 percent office, 21 (a) percent residential, 19 percent industrial, cash and other and 17 percent retail. As of December 31, 2011 investments in this CCT include approximately 46 percent office, 23 percent residential, 19 percent retail and 12 percent industrial, cash and other. Investments in the real estate CCT can be redeemed once per quarter subject to available cash, with a 45-day notice.

Other common collective trusts At December 31, 2012, approximately 60 percent of the other CCTs are invested in fixed income securities including approximately 27 percent in mortgage-backed securities, 42 percent in (b) corporate bonds and 31 percent in U.S. Treasury and other. Approximately 40 percent of the other CCTs at December 31, 2012 are invested in Russell 1000 Fund large cap index funds. At December 31,

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2011, approximately 64 percent of the other CCTs are invested in fixed-income securities including approximately 35 percent in mortgage-backed securities, 45 percent in corporate bonds and 20 percent in U.S. Treasury and other. Approximately 36 percent of the other CCTs at December 31, 2011 are invested in Russell 1000 Fund large cap index funds. Investments in fixed-income securities can be redeemed daily.

Multi-strategy hedge funds The objective of the multi-strategy hedge funds is to diversify risks and reduce volatility. At December 31, 2012 and 2011, investments in this class include approximately 35 percent long/short (c)equity in both periods, 40 percent and 35 percent, respectively, arbitrage and event investments and 25 percent and 30 percent, respectively, in directional trading, fixed income and other. Investments in the multi-strategy hedge fund can be redeemed semi-annually with a 95-day notice.

Private equity funds The objective of the private equity funds is to achieve long-term returns through investments in a diversified portfolio of private equity limited partnerships that offer a variety of investment strategies, targeting low volatility and low correlation to traditional asset classes. As of December 31, 2012 and 2011, investments in these private equity funds include approximately 50 percent in both years, in buyout private equity (d) funds that usually invest in mature companies with established business plans, 25 percent and 30 percent, respectively, in special situations private equity and debt funds that focus on niche investment strategies and 25 percent and 20 percent, respectively, in venture private equity funds that invest in early development or expansion of business. Investments in the private equity fund can be redeemed only with written consent from the general partner, which may or may not be granted. At December 31, 2012 and 2011, the Company had unfunded commitments of underlying funds of \$5,529 and \$5,618.

The following table summarizes the changes in fair value of level 3 assets for the years ended December 31:

| | 2012 | 2011 |
|----------------------|----------|----------|
| Balance, January 1 | \$66,598 | \$56,775 |
| Acquisitions | 6,088 | 5,394 |
| Dispositions | (2,479) | (1,536) |
| Realized gain, net | 3,432 | 537 |
| Unrealized gain, net | 3,244 | 5,428 |
| Balance, December 31 | \$76,883 | \$66,598 |

The following table represents the amortization amounts expected to be recognized during 2013:

| | Pension Benefits | Other Benefits |
|---|------------------|----------------|
| Amount of net prior service cost (credit) | \$258 | \$(488) |
| Amount of net loss | 21,377 | 422 |

The Company contributed \$15,711 to its pension plans, including contributions to the nonqualified plan, and \$1,861 to its other postretirement benefit plan during the year ended December 31, 2012. Also, the Company expects to contribute \$3,343 to its pension plans, including the nonqualified plan, and \$1,798 to its other postretirement benefit plan during the year ending December 31, 2013. The following benefit payments, which reflect expected future service, are expected to be paid:

| | Other Benefits | Other Benefits |
|--|----------------|----------------|
|--|----------------|----------------|

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| | Pension Benefits | before Medicare Part D Subsidy | after Medicare Part D Subsidy |
|-----------|---------------------|-----------------------------------|----------------------------------|
| 2013 | \$24,741 | \$1,798 | \$1,607 |
| 2014 | 27,556 | 1,771 | 1,585 |
| 2015 | 28,051 | 1,716 | 1,532 |
| 2016 | 29,662 | 1,660 | 1,484 |
| 2017 | 31,147 | 1,600 | 1,432 |
| 2018-2022 | 183,750 | 6,773 | 6,076 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(dollars in thousands, except per share amounts)

Retirement Savings Plan The Company offers employee 401(k) savings plans (Savings Plans) to encourage eligible employees to save on a regular basis by payroll deductions. Effective July 1, 2003, a new enhanced benefit to the Savings Plans became effective. This enhanced benefit is in lieu of participation in the pension plan for salaried employees. The following table represents the Company's basic match percentage on participant qualified contributions up to a percentage of their compensation:

| | Employees hired prior to July 1, 2003 | Employees hired on or after July 1, 2003 |
|---|--|---|
| Effective April 1, 2009 - December 31, 2010 | None | 30% of first 6% |
| Effective January 1, 2011 - December 31, 2011 | 25% of first 6% | 55% of first 6% |
| Effective January 1, 2012 - December 31, 2012 | 30% of first 6% | 60% of first 6% |

The Company match is determined by the Board of Directors and evaluated at least annually. Total Company match was \$8,357, \$6,483 and \$1,895 for the years ended December 31, 2012, 2011 and 2010, respectively.

Deferred Compensation Plans The Company has deferred compensation plans that enable certain employees to defer receipt of a portion of their cash bonus or share-based compensation and non-employee directors to defer receipt of director fees at the participants' discretion. For deferred cash-based compensation, the Company established a rabbi trust which is recorded at fair value of the underlying securities within securities and other investments. The related deferred compensation liability is recorded at fair value within other long-term liabilities. Realized and unrealized gains and losses on marketable securities in the rabbi trust are recognized in investment income with corresponding changes in the Company's deferred compensation obligation recorded as compensation cost within selling and administrative expense.

NOTE 13: LEASES

The Company's future minimum lease payments due under non-cancellable operating leases for real estate, vehicles and other equipment at December 31, 2012 are as follows:

| | Total | Real Estate | Vehicles and Equipment (a) |
|------------|-----------|-------------|-------------------------------|
| 2013 | \$41,932 | \$31,358 | \$10,574 |
| 2014 | 31,432 | 26,686 | 4,746 |
| 2015 | 25,763 | 22,655 | 3,108 |
| 2016 | 20,506 | 19,150 | 1,356 |
| 2017 | 15,153 | 14,674 | 479 |
| Thereafter | 89,419 | 88,553 | 866 |
| | \$224,205 | \$203,076 | \$21,129 |

(a) The Company leases vehicles with contractual terms of 36 to 60 months that are cancellable after 12 months without penalty. Future minimum lease payments reflect only the minimum payments during the initial 12-month non-cancellable term.

Under lease agreements that contain escalating rent provisions, lease expense is recorded on a straight-line basis over the lease term. Rental expense under all lease agreements amounted to approximately \$74,849, \$73,801 and \$69,448

for the years ended December 31, 2012, 2011 and 2010, respectively.

NOTE 14: GUARANTEES AND PRODUCT WARRANTIES

In 1997, industrial development revenue bonds were issued on behalf of the Company. The Company guaranteed repayment of the bonds (refer to note 11) by obtaining letters of credit. The carrying value of the bonds was \$11,900 as of December 31, 2012 and 2011.

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. At December 31, 2012, the maximum future payment obligations relative to these various guarantees totaled \$80,662, of which \$23,435 represented standby letters of credit to insurance providers,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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and no associated liability was recorded. At December 31, 2011, the maximum future payment obligations relative to these various guarantees totaled \$71,321 of which \$22,623 represented standby letters of credit to insurance providers, and no associated liability was recorded.

The Company provides its customers a standard 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.

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

| | 2012 | 2011 |
|-----------------------------|----------|-----------|
| Balance at January 1 | \$63,355 | \$78,313 |
| Current period accruals (1) | 74,015 | 49,825 |
| Current period settlements | (55,619 |) (64,783 |
| Balance at December 31 | \$81,751 | \$63,355 |

(1) Includes the impact of foreign exchange rate fluctuations.

NOTE 15: COMMITMENTS AND CONTINGENCIES

At December 31, 2012, the Company had purchase commitments due within one year totaling \$9,772 for materials through contract manufacturing agreements at negotiated prices. The amounts purchased under these obligations totaled \$4,009 in 2012.

At December 31, 2012, the Company was a party to several lawsuits that were incurred in the normal course of business, none of which individually or in the aggregate is considered material by management in relation to the Company's financial position or results of operations. In management's opinion, the Company's consolidated financial statements would not be materially affected by the outcome of those legal proceedings, commitments, or asserted claims.

In addition to the routine legal proceedings noted above the Company was a party to the lawsuits described below at December 31, 2012:

Brazilian Federal Indirect Tax Assessment

In August 2012, one of the Company's Brazilian subsidiaries was notified of a tax assessment of approximately \$133,000, including penalties and interest, regarding certain Brazilian 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 the country's free trade zone that would nullify certain indirect tax incentives. On September 10, 2012, the Company filed its administrative defenses with the tax authorities. This proceeding is currently pending an administrative level decision, which could negatively impact Brazilian 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. Management believes that the possible range of loss associated with the Brazilian federal indirect tax assessment is \$0 to \$236,000.

Securities Action

On June 30, 2010, a shareholder filed a putative class action complaint in the United States District Court for the Northern District of Ohio alleging violations of the federal securities laws against the Company, certain current and former officers, and the Company's independent auditors (Louisiana Municipal Police Employees Retirement System v. KPMG et al., No. 10-CV-1461). The complaint seeks unspecified compensatory damages on behalf of a class of persons who purchased the Company's stock between June 30, 2005 and January 15, 2008 and fees and expenses related to the lawsuit. The complaint generally relates to the matters set forth in the court documents filed by the SEC in June 2010 finalizing the settlement of civil charges stemming from the investigation of the Company conducted by the Division of Enforcement of the SEC. It is reasonably possible that the resolution of this putative federal securities class action could be material to the Company's consolidated financial statements; however, management believes that any possible loss or range of loss cannot be estimated.

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Global Foreign Corrupt Practices Act (FCPA) Review

During the second quarter of 2010, while conducting due diligence in connection with a potential acquisition in Russia, the Company identified certain transactions and payments by its subsidiary in Russia (primarily during 2005 to 2008) that potentially implicate the FCPA, particularly the books and records provisions of the FCPA. As a result, the Company conducted a global internal review and collected information related to its global FCPA compliance. In the fourth quarter of 2010, the Company identified certain transactions within its Asia Pacific operation that occurred over the past several years that may also potentially implicate the FCPA. The Company continues to monitor its ongoing compliance with the FCPA.

The Company has voluntarily self-reported its findings to the SEC and the U.S. Department of Justice (DOJ) and is cooperating with these agencies in their review. The Company was previously informed that the SEC's inquiry had been converted to a formal, non-public investigation. The Company also received a subpoena for documents from the SEC and a voluntary request for documents from the DOJ in connection with the investigation. During the fourth quarter of 2012, the Company recorded \$16,750 within miscellaneous, net of estimated pre-tax losses related to the potential outcome of this matter, resulting in a total accrual of \$20,000 as of December 31, 2012. Because the SEC and DOJ investigations are ongoing, there can be no assurance that their review will not find evidence of additional transactions that potentially implicate the FCPA. The Company is continuing its discussions with the government toward a resolution to this matter. At this time, the Company cannot predict the results of the government investigations, and it is reasonably possible that the resolution of these matters with the SEC and the DOJ could result in changes in management's estimates of losses, which could be material to the Company's consolidated financial statements.

NOTE 16: DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company uses derivatives to mitigate the economic consequences associated with the fluctuations in currencies and interest rates. The Company records all derivative instruments on the balance sheet at fair value and the changes in the fair value are recognized in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows derivative gains and losses to be reflected in the statement of operations or OCI together with the hedged exposure, and requires that the Company formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment.

Gains or losses associated with ineffectiveness are reported currently in earnings. The Company does not enter into any speculative positions with regard to derivative instruments.

The Company periodically evaluates its monetary asset and liability positions denominated in foreign currencies. The impact of the Company's and the counterparties' credit risk on the fair value of the contracts is considered as well as the ability of each party to execute its obligations under the contract. The Company generally uses investment grade financial counterparties in these transactions and believes that the resulting credit risk under these hedging strategies is not significant.

FOREIGN EXCHANGE

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

of its net investments in Brazil. The Company uses the forward-to-forward method for its quarterly retrospective and prospective 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 OCI until complete liquidation of the subsidiary, when they would be reclassified to income together with the gain or loss on the entire investment. The fair value of the Company's net investment hedge contracts was \$0 and \$1,768 as of December 31, 2012 and 2011, respectively. The gain recognized in OCI on net investment hedge contracts was \$3,021 and \$1,768 for the years ended December 31, 2012 and 2011, respectively.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(dollars in thousands, except per share amounts)

Company's non-designated foreign exchange forward contracts was \$47 and \$(1,558) as of December 31, 2012 and 2011, respectively.

The following table summarizes the gain (loss) recognized on non-designated foreign exchange derivative instruments for the years ended December 31:

| | 2012 | 2011 |
|-----------------------------------|----------|------------|
| Interest expense | \$(4,934 |) \$(7,441 |
| Foreign exchange gain (loss), net | (2,852 |) 8,016 |
| | \$(7,786 |) \$575 |

INTEREST RATE

Cash Flow Hedges The Company has variable rate debt and is subject to fluctuations in interest related cash flows due to changes in market interest rates. The Company's policy allows derivative instruments designated as cash flow hedges that fix a portion of future variable-rate interest expense. As of December 31, 2012, the Company has two pay-fixed receive-variable interest rate swaps, with a notional amount totaling \$50,000, to hedge against changes in the LIBOR benchmark interest rate on a portion of the Company's LIBOR-based borrowings. Changes in value that are deemed effective are accumulated in OCI and reclassified to interest expense when the hedged interest is accrued. To the extent that it becomes probable that the Company's variable rate borrowings will not occur, the gains or losses on the related cash flow hedges will be reclassified from OCI to interest expense. The fair value of the Company's interest rate contracts was \$(3,558) and \$(3,796) as of December 31, 2012 and 2011, respectively.

In December 2005 and January 2006, the Company executed cash flow hedges by entering into receive-variable and pay-fixed interest rate swaps, with a total notional amount of \$200,000, related to the senior notes issuance in March 2006. Amounts previously recorded in OCI related to the pre-issuance cash flow hedges will continue to be reclassified to income on a straight-line basis through February 2016.

The gain or loss recognized on designated cash flow hedge derivative instruments for the years ended December 31, 2012 and 2011 were not material. Gains and losses related to interest rate contracts are reclassified from accumulated OCI are recorded in interest expenses on the statement of income. The Company anticipates reclassifying \$933 from other comprehensive income to interest expense within the next 12 months.

NOTE 17: RESTRUCTURING AND OTHER CHARGES

The following table summarizes the impact of Company's restructuring charges (accrual adjustments) on the consolidated statements of operations for the years ended December 31:

| | 2012 | 2011 | 2010 |
|---|----------|----------|---------|
| Cost of sales - services | \$6,226 | \$10,678 | \$540 |
| Cost of sales - products | (1,849 |) 3,905 | 1,163 |
| Selling and administrative expense | 9,037 | 11,607 | 3,809 |
| Research, development and engineering expense | 1,827 | (8 |) (143 |
| Gain on sale of real estate | — | — | (1,186 |
| | \$15,241 | \$26,182 | \$4,183 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(dollars in thousands, except per share amounts)

The following table summarizes the Company's restructuring charges (accrual adjustments) within continuing operations by reporting segment for the years ended December 31:

| | 2012 | 2011 | 2010 |
|-----------------------------|----------|----------|---------|
| DNA | | | |
| Severance | \$10,773 | \$4,000 | \$3,226 |
| Other | — | 239 | 368 |
| Gain on sale of real estate | — | — | (1,186) |
| DI | | | |
| Severance | 4,112 | 19,284 | 1,315 |
| Other (1) | 356 | 2,659 | 460 |
| Total | \$15,241 | \$26,182 | \$4,183 |

(1) Other costs in the DI segment for the year ended December 31, 2011 include legal fees, accelerated depreciation and lease termination fees.

Restructuring charges of \$15,633 for the year ended December 31, 2012 related to the Company's global realignment plan, including realignment of resources and certain international facilities to better support opportunities in target markets and leverage software-led services technology to support customers in efforts to optimize overall operational performance. As of December 31, 2012, the Company anticipates additional restructuring costs of \$4,000. As management concludes on certain aspects of the global shared services plan, the anticipated future costs related to this plan are subject to change.

Restructuring charges of \$3,097 for the year ended December 31, 2012 related to the Company's global shared services plan, which entails expanding the Company's current information technology (IT) center in India to create a global shared services center that provides centralized IT and financial services for the Company. Expanding the shared services center requires transferring IT and financial services-related jobs residing in other geographies. As of December 31, 2012, the Company anticipates additional restructuring costs of \$6,000. As management concludes on certain aspects of the global shared services plan, the anticipated future costs related to this plan are subject to change.

Restructuring (accrual adjustments) charges, net of \$(2,986) and \$19,450 for the year ended December 31, 2012 and 2011, respectively, related to the Company's plan for the EMEA reorganization, which realigns resources and further leverages the existing shared services center. As of December 31, 2012, the Company does not expect any material remaining costs related to this plan.

Restructuring charges of \$0, \$1,057 and \$4,059 for the years ended December 31, 2012, 2011 and 2010, respectively, related to reductions in the Company's global workforce, including realignment of the organization and resources to better support opportunities in emerging growth markets and consolidation of certain international facilities in efforts to optimize overall operational performance. Company does not expect any material remaining costs related to this workforce reduction.

Other net restructuring (accrual adjustments) charges, net were \$(503), \$5,675 and \$124 for the years ended December 31, 2012, 2011 and 2010, respectively. Other restructuring charges for 2011 related primarily to realignment in North American operations.

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The following table summarizes the Company's cumulative total restructuring costs for the significant plans:

| | Global Realignment | Global Shared Services | EMEA Reorganization |
|------------------------------|-----------------------|---------------------------|------------------------|
| Costs incurred to date: | | | |
| DNA | \$8,774 | \$2,808 | \$— |
| DI | 6,859 | 289 | 16,464 |
| Total costs incurred to date | \$15,633 | \$3,097 | \$16,464 |

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(dollars in thousands, except per share amounts)

The following table summarizes the Company's restructuring accrual balances and related activity:

| | | |
|------------------------------|----------|---|
| Balance at January 1, 2010 | \$21,917 | |
| Liabilities incurred | 5,369 | |
| Liabilities paid/settled | (23,946 |) |
| Balance at December 31, 2010 | \$3,340 | |
| Liabilities incurred | 26,182 | |
| Liabilities paid/settled | (19,386 |) |
| Balance at December 31, 2011 | \$10,136 | |
| Liabilities incurred | 15,241 | |
| Liabilities paid/settled | (13,533 |) |
| Balance at December 31, 2012 | \$11,844 | |

Other Charges

Other charges consist of items that the Company has determined are non-routine in nature and are not expected to recur in future operations. Net non-routine expenses of \$42,328, \$14,981 and \$16,234 impacted the years ended December 31, 2012, 2011 and 2010, respectively. Net non-routine expenses for 2012 primarily related to the FCPA investigation, including \$16,750 within miscellaneous, net of estimated pre-tax losses related to the potential outcome of this matter. In addition, the Company incurred \$21,907 of pre-tax non-routine expenses related to early pension buy-out payments made to certain deferred terminated vested participants (refer to note 12) recorded within selling and administrative expense. Net non-routine expenses for 2011 consisted primarily of legal and compliance costs related to the FCPA investigation and were recorded in selling and administrative expense and miscellaneous, net. Net non-routine expenses for 2010 consisted primarily of a settlement and legal fees related to a previously disclosed employment class-action lawsuit as well as legal and compliance costs related to the FCPA investigation.

NOTE 18: FAIR VALUE OF ASSETS AND LIABILITIES

The Company measures its financial assets and liabilities using one or more of the following three valuation techniques:

Market approach — Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach — Amount that would be required to replace the service capacity of an asset (replacement cost).

Income approach — Techniques to convert future amounts to a single present amount based upon market expectations.

The hierarchy that prioritizes the inputs to valuation techniques used to measure fair value is divided into three levels:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 — Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active or inputs, other than quoted prices in active

markets, that are observable either directly or indirectly.

Level 3 — Unobservable inputs for which there is little or no market data.

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(dollars in thousands, except per share amounts)

Summary of Assets and Liabilities Recorded at Fair Market Value

Refer to note 12 for assets held in the Company's defined pension plans, which are measured at fair value. Assets and liabilities subject to fair value measurement are as follows:

| | December 31, 2012 | | | December 31, 2011 | | |
|------------------------------------|-------------------|-------------------------------|---------|-------------------|-------------------------------|----------|
| | Fair Value | Fair Value Measurements Using | | Fair Value | Fair Value Measurements Using | |
| | | Level 1 | Level 2 | | Level 1 | Level 2 |
| Assets | | | | | | |
| Short-term investments: | | | | | | |
| Certificates of deposit | \$258,518 | \$258,518 | \$— | \$269,033 | \$269,033 | \$— |
| U.S. dollar indexed bond funds | 3,368 | — | 3,368 | 17,820 | — | 17,820 |
| Assets held in a rabbi trust | 6,783 | 6,783 | — | 7,170 | 7,170 | — |
| Foreign exchange forward contracts | 960 | — | 960 | 2,193 | — | 2,193 |
| Total | \$269,629 | \$265,301 | \$4,328 | \$296,216 | \$276,203 | \$20,013 |
| Liabilities | | | | | | |
| Deferred compensation | \$6,783 | \$6,783 | \$— | \$7,170 | \$7,170 | \$— |
| Foreign exchange forward contracts | 913 | — | 913 | 1,983 | — | 1,983 |
| Interest rate swaps | 3,558 | — | 3,558 | 3,796 | — | 3,796 |
| Total | \$11,254 | \$6,783 | \$4,471 | \$12,949 | \$7,170 | \$5,779 |

Short-Term Investments The Company has investments in certificates of deposit that are recorded at cost, which approximates fair value. Additionally, the Company has investments in U.S. dollar indexed bond funds that are classified as available-for-sale and stated at fair value. U.S. dollar indexed bond funds are reported at net asset value, which is the practical expedient for fair value as determined by banks where funds are held.

Assets Held in a Rabbi Trust / Deferred Compensation The fair value of the assets held in a rabbi trust (refer to notes 5 and 12) is derived from investments in a mix of money market, fixed income and equity funds managed by Vanguard. The related deferred compensation liability is recorded at fair value.

Foreign Exchange Forward Contracts 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 foreign exchange contracts are valued using the market approach based on observable market transactions of forward rates.

Interest Rate Swaps The Company has variable rate debt and is subject to fluctuations in interest related cash flows due to changes in market interest rates. The Company's policy allows it to periodically enter into derivative instruments designated as cash flow hedges to fix some portion of future variable rate based interest expense. The Company executed two pay-fixed receive-variable interest rate swaps to hedge against changes in the LIBOR benchmark interest rate on a portion of the Company's LIBOR-based borrowings. The fair value of the swap is determined using the income approach and is calculated based on LIBOR rates at the reporting date.

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(dollars in thousands, except per share amounts)

Summary of Assets and Liabilities Recorded at Carrying Value

The fair value of the Company's cash and cash equivalents, trade receivables and accounts payable, approximates the carrying value due to the relative short maturity of these instruments. Refer to note 10 related to the Company's investment in a non-consolidated affiliate. The fair value and carrying value of the Company's debt instruments are summarized as follows:

| | December 31, 2012 | | December 31, 2011 | |
|------------------------|-------------------|----------------|-------------------|----------------|
| | Fair Value | Carrying Value | Fair Value | Carrying Value |
| Notes payable | \$34,212 | \$34,212 | \$21,722 | \$21,722 |
| Long-term debt | 630,450 | 617,534 | 612,551 | 606,154 |
| Total debt instruments | \$664,662 | \$651,746 | \$634,273 | \$627,876 |

The fair value of the Company's industrial development revenue bonds are measured using unadjusted quoted prices in active markets for identical assets categorized as level 1 inputs. The fair value of the Company's current notes payable and credit facility debt instruments approximates the carrying value due to the relative short maturity of the revolving borrowings under these instruments. The fair values of the Company's long-term senior notes were estimated using market observable inputs for the Company's comparable peers with public debt, including quoted prices in active markets, market indices and interest rate measurements, considered level 2 inputs.

NOTE 19: SEGMENT INFORMATION

The Company manages its businesses on a geographic basis and reports the following two segments: DNA and DI. The Company's chief operating decision maker regularly assesses information relating to these segments to make decisions, including the allocation of resources. Management evaluates the performance of the segments based on revenue and operating profit.

The DNA segment services and sells financial and retail systems in the United States and Canada. The DI segment services and sells financial and retail systems over the remainder of the globe as well as voting and lottery solutions in Brazil. Each segment buys the goods it sells from the Company's manufacturing plants or through external suppliers. Each year, intercompany pricing is agreed upon which drives operating profit contribution.

The reconciliation between segment information and the consolidated financial statements is disclosed. Revenue summaries by geographic area and service and product solutions are also disclosed. Certain information not routinely used in the management of the DNA and DI segments, information not allocated back to the segments or information that is impractical to report is not shown. Items not allocated are as follows: investment income; interest expense; equity in the net income of investees accounted for by the equity method; miscellaneous, net; foreign exchange gains and losses; income tax expense or benefit; and discontinued operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(dollars in thousands, except per share amounts)

The following table represents information regarding the Company's segment information for the years ended December 31:

SEGMENT INFORMATION BY CHANNEL

| | 2012 | 2011 | 2010 |
|--|-------------|-------------|-------------|
| DNA | | | |
| Customer revenues | \$1,590,532 | \$1,405,018 | \$1,320,581 |
| Intersegment revenues | 57,240 | 73,399 | 93,600 |
| Operating profit | 103,596 | 123,033 | 81,022 |
| Capital expenditures | 29,554 | 23,131 | 33,043 |
| Depreciation and amortization | 55,260 | 52,109 | 50,638 |
| Property, plant and equipment, at cost | 471,835 | 461,452 | 460,429 |
| Total assets | 992,977 | 1,018,907 | 1,016,138 |
| DI | | | |
| Customer revenues | 1,401,161 | 1,430,830 | 1,503,212 |
| Intersegment revenues | 48,121 | 63,318 | 44,445 |
| Operating profit (loss) | 21,116 | 32,561 | (82,824) |
| Capital expenditures | 20,188 | 31,622 | 18,255 |
| Depreciation and amortization | 23,384 | 27,746 | 28,615 |
| Property, plant and equipment, at cost | 190,075 | 180,804 | 185,806 |
| Total assets | 1,600,010 | 1,498,536 | 1,503,652 |
| TOTAL | | | |
| Customer revenues | 2,991,693 | 2,835,848 | 2,823,793 |
| Intersegment revenues | 105,361 | 136,717 | 138,045 |
| Operating profit (loss) | 124,712 | 155,594 | (1,802) |
| Capital expenditures | 49,742 | 54,753 | 51,298 |
| Depreciation and amortization | 78,644 | 79,855 | 79,253 |
| Property, plant and equipment, at cost | 661,910 | 642,256 | 646,235 |
| Total assets | 2,592,987 | 2,517,443 | 2,519,790 |

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DIEBOLD INCORPORATED AND SUBSIDIARIES

FORM 10-K as of December 31, 2012

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(dollars in thousands, except per share amounts)

The following table represents information regarding the Company's revenue by geographic region and by service and product solution for the years ended December 31:

| | 2012 | 2011 | 2010 | |
|---|-------------|-------------|-------------|---|
| Revenue summary by geography | | | | |
| Diebold North America | \$1,590,532 | \$1,405,018 | \$1,320,581 | |
| Diebold International: | | | | |
| Latin America including Brazil | 648,130 | 662,805 | 770,691 | |
| Asia Pacific | 427,542 | 422,491 | 380,970 | |
| Europe, Middle East and Africa | 325,489 | 345,534 | 351,551 | |
| Total Diebold International | 1,401,161 | 1,430,830 | 1,503,212 | |
| Total customer revenues | \$2,991,693 | \$2,835,848 | \$2,823,793 | |
| Total customer revenues domestic vs. international | | | | |
| Domestic | \$1,533,674 | \$1,341,167 | \$1,262,914 | |
| Percentage of total revenue | 51.3 | % 47.3 | % 44.7 | % |
| International | 1,458,019 | 1,494,681 | 1,560,879 | |
| Percentage of total revenue | 48.7 | % 52.7 | % 55.3 | % |
| Total customer revenues | \$2,991,693 | \$2,835,848 | \$2,823,793 | |
| Revenue summary by service and product solution | | | | |
| Financial self-service: | | | | |
| Services | \$1,199,325 | \$1,140,872 | \$1,086,569 | |
| Products | 1,112,576 | 996,673 | 959,820 | |
| Total financial self-service | 2,311,901 | 2,137,545 | 2,046,389 | |
| Security: | | | | |
| Services | 427,007 | 411,474 | 406,831 | |
| Products | 196,630 | 194,028 | 223,514 | |
| Total security | 623,637 | 605,502 | 630,345 | |
| Total financial self-service & security | 2,935,538 | 2,743,047 | 2,676,734 | |
| Election and lottery systems | 56,155 | 92,801 | 147,059 | |
| Total customer revenues | \$2,991,693 | \$2,835,848 | \$2,823,793 | |

The Company had no customers that accounted for more than 10 percent of total net sales in 2012, 2011 and 2010.

NOTE 20: ACQUISITION

In August 2012, the Company acquired 100 percent of the equity interest in GAS Tecnologia (GAS), a Brazilian Internet banking, online payment and mobile banking security company for a total purchase price of approximately \$39,000. Total purchase price included holdback payments to be made over the next three years of approximately \$12,000, which was recorded in other long-term liabilities at December 31, 2012. The GAS solutions aim to prevent various types of fraud, such as phishing, pharming and key logging. GAS also offers clients a security information

database service – a consulting service that allows clients to stay up-to-date and educated on current threats in the industry. Upon acquisition, GAS was integrated into the Company's DI security business. At December 31, 2012, the Company was still in the process of finalizing purchase accounting with respect to opening balance sheet valuations, amortizable intangible assets and goodwill resulting from the acquisition were estimated to be \$16,000 and \$26,000, respectively.

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DIEBOLD INCORPORATED AND SUBSIDIARIES

FORM 10-K as of December 31, 2012

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(dollars in thousands, except per share amounts)

Annual net sales for GAS in 2011 were approximately \$14,000. Net sales and earnings of GAS included in the consolidated statements of operations for the year ended December 31, 2012 were not significant.

NOTE 21: DISCONTINUED OPERATIONS

Included in (loss) income from discontinued operations in 2012 was the realization of the currency translation adjustment balance on the Company's liquidated EMEA-based security business which was discontinued in 2008. Included in (loss) income from discontinued operations in 2011 and 2010 were accrual adjustment benefits and costs related to the Company's U.S.-based election systems business. During the third quarter of 2010, the Company finalized and filed its 2009 consolidated U.S. federal tax return and recorded an additional tax benefit of \$2,147 included within discontinued operations.

NOTE 22: QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table presents selected unaudited quarterly financial information for the years ended December 31:

| | First Quarter | | Second Quarter | | Third Quarter | | Fourth Quarter | |
|---|---------------|-----------|----------------|-----------|---------------|-----------|----------------|-----------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Net sales | \$698,491 | \$614,157 | \$743,188 | \$662,382 | \$709,919 | \$709,322 | \$840,095 | \$849,987 |
| Gross profit | 193,240 | 149,404 | 185,569 | 169,490 | 173,210 | 194,386 | 184,134 | 222,649 |
| Income (loss) from continuing operations | 45,965 | 4,146 | 27,792 | 21,602 | 18,064 | 42,782 | (4,300) | 83,047 |
| (Loss) income from discontinued operations, net of tax | — | (11) | — | 529 | — | — | (3,125) | 5 |
| Net income (loss) | 45,965 | 4,135 | 27,792 | 22,131 | 18,064 | 42,782 | (7,425) | 83,052 |
| Net income attributable to noncontrolling interests | 802 | 1,634 | 1,290 | 1,327 | 630 | 1,027 | 3,220 | 3,297 |
| Net income (loss) attributable to Diebold, Incorporated | \$45,163 | \$2,501 | \$26,502 | \$20,804 | \$17,434 | \$41,755 | \$(10,645) | \$79,755 |
| Basic earnings per share: | | | | | | | | |
| Income (loss) from continuing operations, net of tax | 0.72 | 0.04 | 0.42 | 0.31 | 0.28 | 0.66 | (0.12) | 1.27 |
| Income (loss) from discontinued operations, net of tax | — | — | — | 0.01 | — | — | (0.05) | — |
| Net income (loss) attributable to Diebold, Incorporated | \$0.72 | \$0.04 | \$0.42 | \$0.32 | \$0.28 | \$0.66 | \$(0.17) | \$1.27 |
| Diluted earnings per share: | | | | | | | | |

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| | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|----------|----------|
| Income (loss) from continuing operations, net of tax | \$0.71 | \$0.04 | \$0.41 | \$0.31 | \$0.27 | \$0.65 | \$(0.12) |) \$1.26 |
| Income (loss) from discontinued operations, net of tax | — | — | — | 0.01 | — | — | (0.05) |) — |
| Net income (loss) attributable to Diebold, Incorporated | \$0.71 | \$0.04 | \$0.41 | \$0.32 | \$0.27 | \$0.65 | \$(0.17) |) \$1.26 |
| Basic weighted-average shares outstanding (in thousands) | 62,725 | 65,762 | 63,064 | 65,028 | 63,211 | 63,626 | 63,230 | 62,599 |
| Diluted weighted-average shares outstanding (in thousands) (1) | 63,333 | 66,230 | 64,035 | 65,482 | 64,134 | 64,186 | 63,230 | 63,300 |

(1) incremental shares of 786,000 were excluded from the computation of diluted EPS for the quarter ended December 31, 2012 because their effect is anti-dilutive due to the loss from continuing operations.

Loss from continuing operations for the fourth quarter 2012 was negatively impacted by \$21,907 related to early pension buyouts (refer to note 12) and \$16,750 of pre-tax FCPA losses (refer to note 15). Income from continuing operations for the fourth quarter 2011 was positively impacted by an approximately \$28,000 tax valuation allowance released in Brazil (refer to note 4).

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DIEBOLD INCORPORATED AND SUBSIDIARIES

FORM 10-K as of December 31, 2012

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(dollars in thousands, except per share amounts)

NOTE 23: SUBSEQUENT EVENTS

Departure of Executive Officers Effective January 19, 2013, Thomas W. Swidarski stepped down from his positions as the President and Chief Executive Officer of the Company and resigned from the Company's Board of Directors. Effective January 23, 2013, the Board of Directors of the Company and Charles E. Ducey, Jr. agreed that Mr. Ducey would step down as Executive Vice President, North American Operations. As a result of these actions, the Company anticipates recording executive severance costs of approximately \$9,000 within selling and administrative expense during the quarter ended March 31, 2013, including accelerated share-based compensation expense of approximately \$3,000.

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ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A: CONTROLS AND PROCEDURES

This annual report on Form 10-K includes the certifications of our principal executive officer (PEO) and principal financial officer (PFO) required by Rule 13a-14 of the Exchange Act. See Exhibits 31.1 and 31.2. This Item 9A includes information concerning the controls and control evaluations referred to in those certifications.

(a) 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 PEO and PFO as appropriate, to allow timely decisions regarding required disclosures.

In connection with the preparation of this annual report on Form 10-K, Diebold's management, under the supervision and with the participation of the PEO and PFO, conducted an evaluation of disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the PEO and PFO have concluded that such disclosure controls and procedures were not effective as of December 31, 2012 because of the material weakness in our internal control over financial reporting discussed below.

(b) MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management, under the supervision of the PEO and PFO, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act, is a process designed by, or under the supervision of, the PEO and PFO and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Internal control over financial reporting includes those policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP;

provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with appropriate authorization of management and the Board of Directors; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can also be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements will not be prevented or detected on a timely

basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, the risk.

A material weakness in internal control over financial reporting is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

In connection with the preparation of this annual report on Form 10-K, management, under the supervision and with the participation of the PEO and PFO, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31,

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2012, based on the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Because of the following control deficiencies that constitute a material weakness, the PEO and PFO concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2012.

The Company concluded that controls pertaining to manufacturing and supply chain processes that could materially impact indirect tax incentives in its Brazilian subsidiary and roles and responsibilities within this Brazilian subsidiary pertaining to the operation of these controls, including reporting relationships for division tax and accounting associates to applicable corporate management with respect to the management of the indirect tax compliance program were not designed and/or operating effectively. Furthermore, controls designed to ensure adequate and effective communication by operational management to regional and corporate management were not operating effectively.

Because of the material weakness identified above, a reasonable possibility exists that a material misstatement in the Company's consolidated financial statements will not be prevented or detected on a timely basis.

KPMG LLP, the Company's independent registered public accounting firm, has issued an auditor's report on management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2012. This report is included in Item 8 of this annual report on Form 10-K.

(c) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the quarter ended December 31, 2012, changes in our internal control over financial reporting occurred related to beginning the remediation of the identified material weakness:

Management conducted training, distributed internal communications and emphasized the importance of financial controls including information and communication controls during leadership meetings. The training and internal communications reinforced the importance of communicating relevant information in a timely manner to the appropriate operational, regional and corporate management.

During the quarter ended December 31, 2012, there have been no other changes to the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

(d) REMEDIATION STEPS TO ADDRESS MATERIAL WEAKNESS

The remediation efforts outlined below are intended to address the identified material weakness in internal control over financial reporting.

To address the material weakness discussed above, management will complete an evaluation to facilitate development of detailed remediation plans pertaining to: (a) design and operating effectiveness of control procedures pertaining to manufacturing and supply chain processes that could materially impact indirect tax incentives in its Brazilian subsidiary; (b) roles and responsibilities within its Brazilian subsidiary, including the reporting structure, with respect to the indirect tax compliance program; and (c) communication by operational management to regional and corporate management.

ITEM 9B: OTHER INFORMATION

None.

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PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information with respect to directors of the Company, including the audit committee and the designated audit committee financial experts, is included in the Company's proxy statement for the 2013 Annual Meeting of Shareholders (2013 Annual Meeting) and is incorporated herein by reference. Information with respect to any material changes to the procedures by which security holders may recommend nominees to the Company's board of directors is included in the Company's proxy statement for the 2013 Annual Meeting and is incorporated herein by reference. The following table summarizes information regarding executive officers of the Company:

| Name, Age, Title and Year Elected to Present Office | Other Positions Held Last Five Years |
|---|--|
| Henry D.G. Wallace — 67 Executive Chairman of the Board Year elected: 2013 | 2001: Former Group Vice President and Chief Financial Officer, Ford Motor Company, Dearborn, Michigan (automotive) |
| George S. Mayes, Jr. — 54 Executive Vice President, Chief Operating Officer Year elected: 2013 | 2006-2013: Senior Vice President, Supply Chain Management |
| Bradley C. Richardson — 54 Executive Vice President, Chief Financial Officer Year elected: 2009 | 2003-2009: Executive Vice President, Corporate Strategy and Chief Financial Officer, Modine Manufacturing Company (auto, heavy-duty parts and specialty heating and air conditioning manufacturer) 2010-2011: Vice President, Chief Technology Officer; |
| Frank A. Natoli — 48 Executive Vice President, Chief Innovation Officer Year elected: 2012 | 2009-2010: Vice President, Global Engineering and Reliability; Chief Technology Officer, 2008-2009: Vice President, Operational Excellence; July 2006-2008: Vice President, Lean Manufacturing |
| D. Alex Brown — 45 Vice President, Corporate Strategy and Development Year elected: 2011 | 2005-2011: Partner, Marakon Associates (management consulting) |
| Christopher A. Chapman — 38 Vice President, Global Finance Year elected: 2011 | 2004- Feb 2010: Vice President, Controller, International Operations |
| Chad F. Hesse — 40 Vice President, General Counsel and Secretary Year elected: 2011 | Jan 2011-Nov 2011: Vice President, Interim General Counsel and Secretary; 2008-Jan 2011: Senior Corporate Counsel and Secretary; 2004-2008: Corporate Counsel and Assistant Secretary |
| M. Scott Hunter — 51 Vice President, Treasurer and Chief Tax Officer Year elected: 2011 | 2006 - May 2011: Vice President, Chief Tax Officer |
| John D. Kristoff — 45 Vice President, Chief Communications Officer Year elected: 2006 | |

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Christopher Macey — 40
Vice President, Corporate Controller
Year elected: 2012

Oct 2009-Apr 2012: Vice President, Corporate Accounting and External Reporting; 2004-Oct 2009: Senior Manager, Pricewaterhouse Coopers LLP (audit, tax and consulting)

Miguel A. Mateo — 61
Vice President, Latin America Division
Year elected: 2004

2009-2012: Managing Director in the global IT and global business services transformation practice, The Hackett Group (business consulting); 2007-2009: CIO, Kinetic Concepts, Inc (medical technologies)

David H. Ramsey — 43
Vice President, Chief Information Officer
Year elected: 2012

Sheila M. Rutt — 44
Vice President, Chief Human Resources Officer
Year elected: 2005

There is no family relationship, either by blood, marriage or adoption, between any of the executive officers of the Company.

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CODE OF ETHICS

All of the directors, executive officers and employees of the Company are required to comply with certain policies and protocols concerning business ethics and conduct, which we refer to as our Business Ethics Policy. The Business Ethics Policy applies not only to the Company, but also to all of those domestic and international companies in which the Company owns or controls a majority interest. The Business Ethics Policy describes certain responsibilities that the directors, executive officers and employees have to the Company, to each other and to the Company's global partners and communities including, but not limited to, compliance with laws, conflicts of interest, intellectual property and the protection of confidential information. The Business Ethics Policy is available on the Company's web site at www.diebold.com or by written request to the Corporate Secretary.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Information with respect to Section 16(a) Beneficial Ownership Reporting Compliance is included in the Company's proxy statement for the 2013 Annual Meeting and is incorporated herein by reference.

ITEM 11: EXECUTIVE COMPENSATION

Information with respect to executive officer and director's compensation is included in the Company's proxy statement for the 2013 Annual Meeting and is incorporated herein by reference. Information with respect to compensation committee interlocks and insider participation and the compensation committee report is included in the Company's proxy statement for the 2013 Annual Meeting and is incorporated herein by reference.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information with respect to security ownership of certain beneficial owners and management is included in the Company's proxy statement for the 2013 Annual Meeting and is incorporated herein by reference.

Equity Compensation Plan Information

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|--|---|---|---|
| Equity compensation plans approved by | | | |
| security holders: | | | |
| Stock options | 2,668,191 | \$37.56 | N/A |
| Restricted stock units | 731,892 | N/A | N/A |
| Performance shares | 728,782 | N/A | N/A |
| Non-employee director deferred shares | 135,600 | N/A | N/A |
| Deferred compensation | 59,996 | N/A | N/A |
| Total equity compensation plans approved by security holders | 4,324,461 | \$37.56 | 2,342,109 |

Equity compensation plans not

| | | | |
|--|-----------|---------|-----------|
| approved by security holders: | | | |
| Warrants | 34,789 | \$46.00 | N/A |
| Total equity compensation plans not approved by security holders | 34,789 | \$46.00 | N/A |
| Total | 4,359,250 | \$37.67 | 2,342,109 |

In column (b), the weighted-average exercise price is only applicable to stock options. In column (c), the number of securities remaining available for future issuance for stock options, restricted stock units, performance shares and non-employee director deferred shares is approved in total and not individually.

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ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information with respect to certain relationships and related transactions and director independence is included in the Company's proxy statement for the 2013 Annual Meeting and is incorporated herein by reference.

ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to principal accountant fees and services is included in the Company's proxy statement for the 2013 Annual Meeting and is incorporated herein by reference.

PART IV

ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Documents filed as a part of this annual report on Form 10-K.

- Consolidated Balance Sheets at December 31, 2012 and 2011
- Consolidated Statements of Operations for the Years Ended December 31, 2012, 2011 and 2010
- Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2012, 2011 and 2010
- Consolidated Statements of Equity for the Years Ended December 31, 2012, 2011 and 2010
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2012, 2011 and 2010
- Notes to Consolidated Financial Statements
- Reports of Independent Registered Public Accounting Firm

(a) 2. Financial statement schedule

The following schedule is included in this Part IV, and is found in this annual report on Form 10-K:

- Valuation and Qualifying Accounts

All other schedules are omitted, as the required information is inapplicable or the information is presented in the Consolidated Financial Statements or related notes.

(a) 3. Exhibits

- 3.1(i) Amended and Restated Articles of Incorporation of Diebold, Incorporated — incorporated by reference to Exhibit 3.1(i) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1994 (Commission File No. 1-4879)
- 3.1(ii) Amended and Restated Code of Regulations — incorporated by reference to Exhibit 3.1(ii) to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (Commission File No. 1-4879)
- 3.2 Certificate of Amendment by Shareholders to Amended Articles of Incorporation of Diebold, Incorporated — incorporated by reference to Exhibit 3.2 to Registrant's Form 10-Q for the quarter ended March 31, 1996 (Commission File No. 1-4879)
- 3.3 Certificate of Amendment to Amended Articles of Incorporation of Diebold, Incorporated — incorporated by reference to Exhibit 3.3 to Registrant's Form 10-K for the year ended December 31, 1998 (Commission File No. 1-4879)
- *10.1 Form of Amended and Restated Employment Agreement — incorporated by reference to Exhibit 10.1 to Registrant's Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
- *10.5(i) Supplemental Employee Retirement Plan I as amended and restated January 1, 2008 — incorporated by reference to Exhibit 10.5(i) to Registrant's Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
- *10.5(ii) Supplemental Employee Retirement Plan II as amended and restated July 1, 2002 — incorporated by reference to Exhibit 10.5(ii) to Registrant's Form 10-Q for the quarter ended September 30, 2002 (Commission File No. 1-4879)
- *10.5(iii) Pension Restoration Supplemental Executive Retirement Plan — incorporated by reference to Exhibit 10.5(iii) to Registrant's Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)

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- *10.5(iv) Pension Supplemental Executive Retirement Plan — incorporated by reference to Exhibit 10.5(iv) to Registrant's Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
- *10.5(v) 401(k) Restoration Supplemental Executive Retirement Plan — incorporated by reference to Exhibit 10.5(v) to Registrant's Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
- *10.5(vi) 401(k) Supplemental Executive Retirement Plan — incorporated by reference to Exhibit 10.5(vi) to Registrant's Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
- *10.7(i) 1985 Deferred Compensation Plan for Directors of Diebold, Incorporated — incorporated by reference to Exhibit 10.7 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File No. 1-4879)

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- *10.7(ii) Amendment No. 1 to the Amended and Restated 1985 Deferred Compensation Plan for Directors of Diebold, Incorporated — incorporated by reference to Exhibit 10.7 (ii) to Registrant’s Form 10-Q for the quarter ended March 31, 1998 (Commission File No. 1-4879)
- *10.7(iii) Amendment No. 2 to the Amended and Restated 1985 Deferred Compensation Plan for Directors of Diebold, Incorporated — incorporated by reference to Exhibit 10.7 (ii) to Registrant’s Form 10-Q for the quarter ended March 31, 2003 (Commission File No. 1-4879)
- *10.7(iv) Deferred Compensation Plan No. 2 for Directors of Diebold, Incorporated — incorporated by reference to Exhibit 10.7(iv) to Registrant’s Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
- *10.8(i) 1991 Equity and Performance Incentive Plan as Amended and Restated as of February 7, 2001 — incorporated by reference to Exhibit 4(a) to Form S-8 Registration Statement No. 333-60578
- *10.8(ii) Amendment No. 1 to the 1991 Equity and Performance Incentive Plan as Amended and Restated as of February 7, 2001 — incorporated by reference to Exhibit 10.8 (ii) to Registrant’s Form 10-Q for the quarter ended March 31, 2004 (Commission File No. 1-4879)
- *10.8(iii) Amendment No. 2 to the 1991 Equity and Performance Incentive Plan as Amended and Restated as of February 7, 2001 — incorporated by reference to Exhibit 10.8 (iii) to Registrant’s Form 10-Q for the quarter ended March 31, 2004 (Commission File No. 1-4879)
- *10.8(iv) Amendment No. 3 to the 1991 Equity and Performance Incentive Plan as Amended and Restated as of February 7, 2001 — incorporated by reference to Exhibit 10.8 (iv) to Registrant’s Form 10-Q for the quarter ended June 30, 2004 (Commission File No. 1-4879)
- *10.8(v) Amended and Restated 1991 Equity and Performance Incentive Plan as Amended and Restated as of April 13, 2009 — incorporated by reference to Exhibit 10.1 to Registrant’s Form 8-K filed on April 29, 2009 (Commission File No. 1-4879)
- *10.9 Long-Term Executive Incentive Plan — incorporated by reference to Exhibit 10.9 to Registrant’s Annual Report on Form 10-K for the year ended December 31, 1993 (Commission File No. 1-4879)
- *10.10 Deferred Incentive Compensation Plan No. 2 — incorporated by reference to Exhibit 10.10 to Registrant’s Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
- *10.11 Annual Incentive Plan — incorporated by reference to Exhibit 10.11 to Registrant’s Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 1-4879)
- *10.13(i) Forms of Deferred Compensation Agreement and Amendment No. 1 to Deferred Compensation Agreement — incorporated by reference to Exhibit 10.13 to Registrant’s Annual Report on Form 10-K for the year ended December 31, 1996 (Commission File No. 1-4879)
- *10.13(ii) Section 162(m) Deferred Compensation Agreement (as amended and restated January 29, 1998) — incorporated by reference to Exhibit 10.13 (ii) to Registrant’s Form 10-Q for the quarter ended March 31, 1998 (Commission File No. 1-4879)
- *10.14 Deferral of Stock Option Gains Plan — incorporated by reference to Exhibit 10.14 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 1998 (Commission File No. 1-4879)
- 10.17 Credit Agreement, dated as of June 30, 2011, by and among Diebold, Incorporated, the Subsidiary Borrowers (as defined therein) party thereto, JPMorgan Chase Bank, N.A., as administrative agent and a lender, and the other lender party thereto — incorporated by reference to Exhibit 10.1 to the Registrant’s Form 8-K filed on July 6, 2011 (Commission File No. 1-4879)
- 10.20(i) Transfer and Administration Agreement, dated as of March 30, 2001 by and among DCC Funding LLC, Diebold Credit Corporation, Diebold, Incorporated, Receivables Capital Corporation and Bank of America, National Association and the financial institutions from time to time parties thereto — incorporated by reference to Exhibit 10.20(i) to Registrant’s Form 10-Q for the quarter ended March 31, 2001 (Commission File No. 1-4879)
- 10.20(ii) Amendment No. 1 to the Transfer and Administration Agreement, dated as of May 2001, by and among DCC Funding LLC, Diebold Credit Corporation, Diebold, Incorporated, Receivables Capital Corporation

and Bank of America, National Association and the financial institutions from time to time parties thereto — incorporated by reference to Exhibit 10.20 (ii) to Registrant’s Form 10-Q for the quarter ended March, 31, 2001 (Commission File No. 1-4879)

- *10.22 Form of Non-Qualified Stock Option Agreement — incorporated by reference to Exhibit 10.1 to Registrant’s Form 8-K filed on September 21, 2009 (Commission File No. 1-4879)
- *10.23 Form of Restricted Share Agreement — incorporated by reference to Exhibit 10.2 to Registrant’s Form 8-K filed on September 21, 2009 (Commission File No. 1-4879)
- *10.24 Form of RSU Agreement — incorporated by reference to Exhibit 10.3 to Registrant’s Form 8-K filed on September 21, 2009 (Commission File No. 1-4879)
- *10.25 Form of Performance Share Agreement — incorporated by reference to Exhibit 10.4 to Registrant’s Form 8-K filed on September 21, 2009 (Commission File No. 1-4879)
- *10.26 Diebold, Incorporated Annual Cash Bonus Plan — incorporated by reference to Exhibit A to Registrant’s Proxy Statement on Schedule 14A filed on March 16, 2010 (Commission File No. 1-4879)
- 10.27 Form of Note Purchase Agreement — incorporated by reference to Exhibit 10.1 to Registrant’s Form 8-K filed on March 8, 2006 (Commission File No. 1-4879)
- *10.28 Amended and Restated Employment Agreement between Diebold, Incorporated and Thomas W. Swidarski, as amended as of December 29, 2008 — incorporated by reference to Exhibit 10.28 to Registrant’s Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
- *10.29 Amended and Restated Employment [Change in Control] Agreement between Diebold, Incorporated and Thomas W. Swidarski, as amended as of December 29, 2008 — incorporated by reference to Exhibit 10.29 to Registrant’s Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)

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| | |
|---------|---|
| *10.30 | Form of Deferred Shares Agreement — incorporated by reference to Exhibit 10.5 to Registrant’s Form 8-K filed on September 21, 2009 (Commission File No. 1-4879) |
| *10.31 | Diebold, Incorporated Senior Leadership Severance Plan (For Tier I, Tier II, and Tier III Executives) — incorporated by reference to Exhibit 10.31 to Registrant’s Form 10-Q filed on April 30, 2012 (Commission File No. 1-4879) |
| 21.1 | Subsidiaries of the Registrant as of December 31, 2012 |
| 23.1 | Consent of Independent Registered Public Accounting Firm |
| 24.1 | Power of Attorney |
| 31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 |
| 32.2 | Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| * | Reflects management contract or other compensatory arrangement required to be filed as an exhibit pursuant to Item 15(b) of this annual report. |

(b) Refer to page 91 of this annual report on Form 10-K for an index of exhibits, which is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, INCORPORATED

Date: February 15, 2013

By: /s/ Henry D.G. Wallace
Henry D.G. Wallace
Executive Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|--|---|-------------------|
| /s/ Henry D.G. Wallace Henry D.G. Wallace | Executive Chairman of the Board and Director (Principal Executive Officer) | February 15, 2013 |
| /s/ Bradley C. Richardson Bradley C. Richardson | Executive Vice President and Chief Financial Officer (Principal Financial Officer) | February 15, 2013 |
| /s/ Christopher Macey Christopher Macey | Vice President and Corporate Controller (Principal Accounting Officer) | February 15, 2013 |
| /s/ Patrick W. Allender Patrick W. Allender | Director | February 15, 2013 |
| /s/ Bruce L. Byrnes Bruce L. Byrnes | Director | February 15, 2013 |
| /s/ Mei-Wei Cheng Mei-Wei Cheng | Director | February 15, 2013 |
| * Phillip R. Cox | Director | February 15, 2013 |
| * Richard L. Crandall | Director | February 15, 2013 |
| * Gale S. Fitzgerald | Director | February 15, 2013 |
| * | Director | February 15, 2013 |

John N. Lauer

* Director February 15, 2013
Rajesh K. Soin

/s/ Alan J. Weber Director February 15, 2013
Alan J. Weber

* The undersigned, by signing his name hereto, does sign and execute this Annual Report on Form 10-K pursuant to the Powers of Attorney executed by the above-named officers and directors of the Registrant and filed with the Securities and Exchange Commission on behalf of such officers and directors.

Date: February 15, 2013

*By: /s/ Bradley C. Richardson

Bradley C. Richardson

Attorney-in-Fact

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DIEBOLD, INCORPORATED AND SUBSIDIARIES
 SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
 YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
 (in thousands)

| | Balance at beginning of year | Additions | Deductions | Balance at end of year |
|---------------------------------|---------------------------------|-----------|------------|---------------------------|
| Year ended December 31, 2012 | | | | |
| Allowance for doubtful accounts | \$22,128 | 13,597 | 7,871 | \$27,854 |
| Year ended December 31, 2011 | | | | |
| Allowance for doubtful accounts | \$24,868 | 10,928 | 13,668 | \$22,128 |
| Year ended December 31, 2010 | | | | |
| Allowance for doubtful accounts | \$26,648 | 13,849 | 15,629 | \$24,868 |

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EXHIBIT INDEX

| EXHIBIT NO. | DOCUMENT DESCRIPTION |
|-------------|--|
| 21.1 | Significant Subsidiaries of the Registrant |
| 23.1 | Consent of Independent Registered Public Accounting Firm |
| 24.1 | Power of Attorney |
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