

DIEBOLD NIXDORF, Inc  
Form 10-Q  
April 30, 2019

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

---

Form 10-Q

---

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

For the quarterly period ended March 31, 2019

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-4879

---

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

---

Ohio	34-0183970
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

---

5995 Mayfair Road, PO Box 3077, North Canton, Ohio	44720-8077
(Address of principal executive offices)	(Zip Code)

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

---

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

Smaller reporting company  Emerging growth company

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

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

Number of shares of common stock outstanding as of April 25, 2019 was 76,592,453.



DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES  
Form 10-Q

Index

<u>Part I - Financial Information</u>	<u>3</u>
<u>Item 1: Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets - March 31, 2019 (Unaudited) and December 31, 2018</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations (Unaudited) – Three Months Ended March 31, 2019 and 2018</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited) – Three Months Ended March 31, 2019 and 2018</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) – Three Months Ended March 31, 2019 and 2018</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>7</u>
<u>Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>36</u>
<u>Item 3: Quantitative and Qualitative Disclosures About Market Risk</u>	<u>47</u>
<u>Item 4: Controls and Procedures</u>	<u>48</u>
<u>Part II - Other Information</u>	<u>50</u>
<u>Item 1: Legal Proceedings</u>	<u>50</u>
<u>Item 1A: Risk Factors</u>	<u>50</u>
<u>Item 2: Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>50</u>
<u>Item 3: Defaults Upon Senior Securities</u>	<u>50</u>
<u>Item 4: Mine Safety Disclosures</u>	<u>50</u>
<u>Item 5: Other Information</u>	<u>51</u>
<u>Item 6: Exhibits</u>	<u>51</u>
<u>Signatures</u>	<u>52</u>

---

Table of Contents

## Part I – Financial Information

## Item 1: Financial Statements

## DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(in millions, except share and per share amounts)

	March 31, 2019 (Unaudited)	December 31, 2018
<b>ASSETS</b>		
Current assets		
Cash, cash equivalents and restricted cash	\$ 377.9	\$ 458.4
Short-term investments	31.5	33.5
Trade receivables, less allowances for doubtful accounts of \$58.1 and \$58.2, respectively	697.7	737.2
Inventories	663.0	610.1
Prepaid expenses	60.9	57.4
Other current assets	306.3	306.8
Total current assets	2,137.3	2,203.4
Securities and other investments	18.7	22.4
Property, plant and equipment, net of accumulated depreciation and amortization of \$513.5 and \$494.1, respectively	294.5	304.1
Goodwill	813.6	827.1
Deferred income taxes	208.4	243.9
Customer relationships, net	504.6	533.1
Other intangible assets, net	84.2	91.5
Right-of-use lease assets	173.3	—
Other assets	92.7	86.4
Total assets	\$ 4,327.3	\$ 4,311.9
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY</b>		
Current liabilities		
Notes payable	\$ 47.2	\$ 49.5
Accounts payable	491.8	509.5
Deferred revenue	443.2	378.2
Payroll and other benefits liabilities	167.2	184.3
Lease liability	61.7	—
Other current liabilities	443.4	446.9
Total current liabilities	1,654.5	1,568.4
Long-term debt	2,191.2	2,190.0
Pensions, post-retirement and other benefits	263.8	273.8
Long-term lease liability	110.4	—
Deferred income taxes	191.1	221.6
Other liabilities	91.2	87.3
Commitments and contingencies		
Redeemable noncontrolling interests	99.8	130.4
Equity		
Diebold Nixdorf, Incorporated shareholders' equity		
Preferred shares, no par value, 1,000,000 authorized shares, none issued	—	—
Common shares, \$1.25 par value, 125,000,000 authorized shares, 91,937,394 and 91,345,451 issued shares, 76,572,467 and 76,174,025 outstanding shares, respectively	114.9	114.2
Additional capital	761.0	741.8

Edgar Filing: DIEBOLD NIXDORF, Inc - Form 10-Q

Retained earnings (accumulated deficit)	(301.0	)	(168.3	)
Treasury shares, at cost (15,364,927 and 15,171,426 shares, respectively)	(571.5	)	(570.4	)
Accumulated other comprehensive loss	(304.8	)	(303.7	)
Total Diebold Nixdorf, Incorporated shareholders' equity	(301.4	)	(186.4	)
Noncontrolling interests	26.7		26.8	
Total equity	(274.7	)	(159.6	)
Total liabilities, redeemable noncontrolling interests and equity	\$ 4,327.3		\$ 4,311.9	
See accompanying notes to condensed consolidated financial statements.				

3

---

Table of Contents

## DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

## Condensed Consolidated Statements of Operations

(unaudited)

(in millions, except per share amounts)

	Three Months Ended March 31,	
	2019	2018
Net sales		
Services	\$628.7	\$690.3
Products	399.4	373.9
	1,028.1	1,064.2
Cost of sales		
Services	473.5	523.0
Products	310.5	302.8
	784.0	825.8
Gross profit	244.1	238.4
Selling and administrative expense	228.3	227.9
Research, development and engineering expense	36.9	41.7
Loss (gain) on sale of assets, net	3.4	(7.7 )
	268.6	261.9
Operating loss	(24.5 )	(23.5 )
Other income (expense)		
Interest income	2.9	3.5
Interest expense	(50.9 )	(26.0 )
Foreign exchange gain (loss), net	2.8	(1.4 )
Miscellaneous, net	(1.4 )	(0.1 )
Loss before taxes	(71.1 )	(47.5 )
Income tax expense	60.4	19.2
Equity in earnings of unconsolidated subsidiaries	(0.4 )	1.1
Net loss	(131.9 )	(65.6 )
Net income attributable to noncontrolling interests	0.8	7.6
Net loss attributable to Diebold Nixdorf, Incorporated	\$(132.7)	\$(73.2 )
Basic and diluted weighted-average shares outstanding	76.4	75.8
Net loss attributable to Diebold Nixdorf, Incorporated		
Basic and diluted loss per share	\$(1.74 )	\$(0.97 )
Dividends declared and paid per common share	\$—	\$0.10
See accompanying notes to condensed consolidated financial statements.		

Table of Contents

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

	Three Months Ended March 31,	
	2019	2018
Net loss	\$(131.9)	\$(65.6)
Other comprehensive income (loss), net of tax		
Adoption of accounting standard	—	(29.0 )
Translation adjustment	4.4	18.2
Foreign currency hedges (net of tax of \$0.4 and \$1.0, respectively)	(0.6 )	(2.8 )
Interest rate hedges		
Net (loss) gain recognized in other comprehensive income (net of tax of \$0.5 and \$(0.6), respectively)	(2.3 )	2.2
Reclassification adjustment for amounts recognized in net income	0.5	0.4
	(1.8 )	2.6
Pension and other post-retirement benefits		
Net actuarial (loss) gain amortization (net of tax of \$(0.3) and \$(0.4), respectively)	(0.5 )	1.8
Other	0.1	—
Other comprehensive loss, net of tax	1.6	(9.2 )
Comprehensive loss	(130.3 )	(74.8 )
Less: comprehensive income attributable to noncontrolling interests	3.5	7.6
Comprehensive loss attributable to Diebold Nixdorf, Incorporated	\$(133.8)	\$(82.4)
See accompanying notes to condensed consolidated financial statements.		

Table of Contents

## DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

## Condensed Consolidated Statements of Cash Flows

(unaudited)

(in millions)

	Three Months Ended March 31,	
	2019	2018
Cash flow from operating activities		
Net loss	\$(131.9)	\$(65.6)
Adjustments to reconcile net loss to cash flow used by operating activities:		
Depreciation and amortization	58.4	64.4
Share-based compensation	9.3	13.7
Loss (gain) on sale of assets, net	3.4	(7.7 )
Deferred income taxes	4.2	(17.9 )
Other	0.4	(1.9 )
Changes in certain assets and liabilities		
Trade receivables	33.2	(17.7 )
Inventories	(63.1 )	(90.2 )
Accounts payable	(12.4 )	(3.6 )
Deferred revenue	66.6	60.3
Sales tax and net value added tax	(16.8 )	(29.7 )
Income taxes	47.2	28.2
Accrued salaries, wages and commissions	(13.3 )	(27.2 )
Restructuring	(17.7 )	(7.5 )
Warranty liability	(2.3 )	(12.9 )
Certain other assets and liabilities	(22.3 )	(27.0 )
Net cash used by operating activities	(57.1 )	(142.3 )
Cash flow from investing activities		
Capital expenditures	(14.7 )	(20.2 )
Payment for acquisitions	—	(5.8 )
Proceeds from maturities of short-term investments	52.7	104.6
Payments for purchases of short-term investments	(48.3 )	(45.5 )
Proceeds from sale of assets	4.2	9.2
Increase in certain other assets	(5.4 )	(9.1 )
Net cash (used) provided by investing activities	(11.5 )	33.2
Cash flow from financing activities		
Dividends paid	—	(7.7 )
Revolving credit facility borrowings (repayments), net	10.0	(75.0 )
Other debt borrowings	5.0	26.0
Other debt repayments	(16.8 )	(31.7 )
Distributions and payments to noncontrolling interest holders	(11.0 )	(0.5 )
Repurchase of common shares	(1.1 )	(2.5 )
Net cash used by financing activities	(13.9 )	(91.4 )
Effect of exchange rate changes on cash and cash equivalents	(0.5 )	21.5
Decrease in cash, cash equivalents and restricted cash	(83.0 )	(179.0 )
Add: Cash included in assets held for sale at beginning of period	7.3	—
Less: Cash included in assets held for sale at end of period	4.8	—
Cash, cash equivalents and restricted cash at the beginning of the period	458.4	543.2

Cash, cash equivalents and restricted cash at the end of the period	\$377.9	\$364.2
---	---------	---------

See accompanying notes to condensed consolidated financial statements.

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements

(unaudited)

(in millions, except per share amounts)

Note 1: Basis of Presentation

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

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in the Company's annual report on Form 10-K for the year ended December 31, 2018. In addition, some of the Company's statements in this quarterly report on Form 10-Q may involve risks and uncertainties that could significantly impact expected future results. The results of operations for the three months ended March 31, 2019 are not necessarily indicative of results to be expected for the full year.

Reclassification

In connection with changes in the Company's leadership, beginning with the second quarter of 2018, the Company's reportable operating segments are based on the following solutions: Eurasia Banking, Americas Banking and Retail. As a result, the Company reclassified comparative periods for consistency. The Company has reclassified the presentation of certain prior-year information to conform to the current presentation. The Company reclassified an immaterial amount of \$2.7 for the three months ended March, 31, 2018, within the operating activities of the condensed consolidated statements of cash flows between depreciation and amortization and certain other assets and liabilities to correct the presentation.

Recently Adopted Accounting Guidance

Standards Adopted	Description	Effective Date
Accounting Standards Update (ASU) 2016-02, Leases	The standard requires that a lessee recognize on its balance sheet right-of-use (ROU) assets and corresponding liabilities resulting from leasing transactions, as well as additional financial statement disclosures. The Company elected the option to apply the transition requirements in Accounting Standards Codification (ASC) 842 at the effective date of January 1, 2019. The effects of initially applying ASC 842 resulted in no cumulative adjustment to retained earnings in the period of adoption. The provisions of this update apply to substantially all leased assets.	January 1, 2019

Note 2: Leases

The Company utilizes lease agreements to meet its operating needs. These leases support global staff via the use of office space, warehouses, vehicles for technicians and information technology (IT) equipment. The Company utilizes both operating and finance leases in its portfolio of leased assets, however, the majority of these leases are classified as operating. A significant portion of the volume of the lease portfolio is in fleet vehicles and IT office equipment, however, real estate leases constitute a majority of the value of the ROU assets. Lease agreements are utilized worldwide, with the largest location concentration in the United States, Germany and India.

The Company has made the following elections related to the adoption of ASU No. 2016-02 Leases (Topic 842): The Company elected the option to apply the transition requirements in ASC 842 at the effective date of January 1, 2019. The effects of initially applying ASC 842 resulted in no cumulative adjustment to retained earnings in the period of adoption.

The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed the Company to carry forward its ASC 840 assessment regarding definition of a lease, lease classification, and initial direct costs.

The practical expedient related to land easements is not applicable as the Company currently does not utilize any easements.

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

The Company declined the hindsight practical expedient to determine the lease term and ROU asset impairment for existing leases. The decision to decline the hindsight practical expedient resulted in relying on assessments made under ASC 840 during transition and re-assessing under ASC 842 going forward.

The Company declined the short-term lease exception, therefore recognizing all leases in the ROU asset and lease liability balances. Consistent with ASC 842 requirements, leases that are one month or less are not included in the balance.

The Company elected to not separate non-lease components from lease components and, instead, to account for each separate lease component and the non-lease components associated with it as a single lease component, recognized on the balance sheet. This election has been made for all classes of underlying assets.

The Company elected to use a grouping/portfolio approach on applying discount rates to leases at transition, for certain groups of leases where it was determined that using this approach would not differ materially from a lease-by-lease approach.

The Company's lease population has initial lease terms ranging from less than one year to approximately ten years. Some leases include one or more options to renew, with renewal terms that can extend the lease term from six months to 15 years. We assess these renewal/extension options using a threshold of reasonably certain, which is a high threshold and, therefore, the majority of our lease terms for accounting purposes do not include renewal periods. For leases where the Company is reasonably certain to renew, those optional periods are included within the lease term and, therefore, the measurement of the ROU asset and lease liability. Some of the vehicle and IT equipment leases also include options to purchase the leased asset, typically at end of term at fair market value. Some of our leases include options to terminate the lease early. This allows the contract parties to terminate their obligations under the lease contract, sometimes in return for an agreed upon financial consideration. The terms and conditions of the termination options vary by contract, and for those leases where the Company is reasonably certain to use these options, the term and payments recognized in the measurement of ROU assets and lease liabilities has been updated accordingly. Additionally, there are several open-ended lease arrangements where the Company controls the option to continue or terminate the arrangement at any time after the first year. For these arrangements, the Company has used analysis of a mix of historical use and future economic incentive to determine the reasonable expected holding period. This term is used for measurement of ROU assets and lease liabilities.

The following table summarizes the weighted-average remaining lease terms and discount rates related to the Company's lease population:

	Three Months Ended March 31, 2019
Weighted-average remaining lease terms (in years)	
Operating leases	4.5
Finance leases	2.8
Weighted-average discount rate	
Operating leases	14.3 %
Finance leases	26.7 %

The weighted-average discount rates used for operating and finance leases varies due to the jurisdictional composition, whereas the Company has an immaterial amount of finance leases that are primarily comprised of leases in Turkey which have higher interest rates.

Certain lease agreements include payments based on a variety of global indexes or rates. These payment amounts have been projected using the index or rate as of lease commencement or the transition date and measured in ROU assets and lease liabilities. Other leases contain variable payments that are based on actual usage of the underlying assets and therefore are not measured in assets or liabilities as the variable payments are not based on an index or a rate. For real estate leases, these payments are most often tied to non-committed maintenance or utilities charges, and for equipment leases, to actual output or hours in operation. These amounts typically become known when the invoice is received, which is when expense is recognized. In rare circumstances, our lease agreements may contain residual value guarantees. Our lease agreements do not contain any restrictions or covenants, such as those relating to dividends or incurring additional financial obligations.

As of March 31, 2019, the Company did not have any leases that have not yet commenced but that create significant rights and obligations.

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

The Company determines whether an arrangement is or includes a lease at contract inception. All contracts containing the right to use an underlying asset are reviewed to confirm that the contract meets the definition of a lease. ROU assets and liabilities are recognized at commencement date and initially measured based on the present value of lease payments over the defined lease term.

As most leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. In order to apply the incremental borrowing rate, a rate table was developed to assign the appropriate rate to each lease based on lease term and currency of payments. For leases with large numbers of underlying assets, a portfolio approach with a collateralized rate was utilized. Assets were grouped based on similar lease terms and economic environments in a manner whereby the Company reasonably expects that the application does not differ materially from a lease-by-lease approach.

The following table summarizes the components of lease expense:

	Three Months Ended March 31, 2019
Lease expense	
Operating lease expense	\$ 20.6
Finance lease expense	
Amortization of ROU lease assets	\$ 0.1
Interest on lease liabilities	\$ 0.1
Variable lease expense	\$ 3.2

The following table summarizes the maturities of lease liabilities:

	Operating	Finance
2019 (excluding the three months ended March 31, 2019)	\$ 67.2	\$ 0.8
2020	58.1	1.0
2021	36.8	1.0
2022	23.0	—
2023	14.7	—
Thereafter	25.3	—
Total	225.1	2.8
Less: Present value discount	(53.0 )	(0.7 )
Lease liability	\$ 172.1	\$ 2.1

The following table summarizes the cash flow information related to leases:

Three  
Months  
Ended

	March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating - operating cash flows	\$ 21.9
Finance - financing cash flows	\$ 0.1
Finance - operating cash flows	\$ 0.1
ROU lease assets obtained in the exchange for lease liabilities	
Operating leases	\$ 14.7
Finance leases	\$ 2.0

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

The following table summarizes the balance sheet information related to leases:

	March 31, 2019
Assets	
Operating	\$173.3
Finance	2.0
Total leased assets	\$175.3
Current liabilities	
Operating	\$61.7
Finance	0.6
Noncurrent liabilities	
Operating	110.4
Finance	1.5
Total lease liabilities	\$174.2

Finance leases are included in other assets, other current liabilities and other liabilities on the condensed consolidated balance sheets.

## Note 3: Earnings (Loss) Per Share

Basic earnings (loss) per share is based on the weighted-average number of common shares outstanding. Diluted earnings (loss) per share includes the dilutive effect of potential common shares outstanding. Under the two-class method of computing earnings (loss) per share, non-vested share-based payment awards that contain rights to receive non-forfeitable dividends are considered participating securities. The Company's participating securities include restricted stock units (RSUs), director deferred shares and shares that were vested but deferred by employees. The Company calculated basic and diluted earnings (loss) per share under both the treasury stock method and the two-class method. For the three months ended March 31, 2019 and 2018, there were no differences in the earnings (loss) per share amounts calculated under the two methods. Accordingly, the treasury stock method is disclosed below.

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

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

	Three Months Ended March 31, 2019    2018	
Numerator		
Income (loss) used in basic and diluted loss per share		
Net loss	\$(131.9)	\$(65.6)
Net income attributable to noncontrolling interests	0.8	7.6
Net loss attributable to Diebold Nixdorf, Incorporated	\$(132.7)	\$(73.2)
Denominator		
Weighted-average number of common shares used in basic and diluted loss per share <sup>(1)</sup>	76.4	75.8
Net loss attributable to Diebold Nixdorf, Incorporated		
Basic and diluted loss per share	\$(1.74 )	\$(0.97)

## Anti-dilutive shares

Anti-dilutive shares not used in calculating diluted weighted-average shares	3.7	4.3
--	-----	-----

Incremental shares of 1.2 and 0.9 shares for the three months ended March 31, 2019 and 2018, respectively, would <sup>(1)</sup> have been included in the weighted-average number of shares used in diluted earnings (loss) per share used in the computation of diluted earnings (loss) per share because their effects are dilutive.

## Note 4: Share-Based Compensation

The Company's share-based compensation payments to employees are recognized based on their grant-date fair values during the period in which the employee is required to provide services in exchange for the award. Share-based compensation is primarily recognized as a component of selling and administrative expense. Total share-based compensation expense was \$9.3 and \$13.7 for the three months ended March 31, 2019 and 2018, respectively. In the first quarter of 2019, the Company changed its accounting estimate from using a forfeiture assumption to recording actual forfeitures. The change resulted in an immaterial increase in share-based compensation expense for the three months ended March 31, 2019.

Options outstanding and exercisable as of March 31, 2019 are included under the Company's 1991 Equity and Performance Incentive Plan (as Amended and Restated as of February 12, 2014) (the 1991 Plan) and the Company's 2017 Equity and Performance Incentive Plan (the 2017 Plan). Changes during the three months ended March 31, 2019 were as follows:

	Number of Shares	Weighted- Average Exercise Price  (per share)	Weighted- Average Remaining Contractual Term  (in years)	Aggregate Intrinsic Value <sup>(1)</sup>
Outstanding at January 1, 2019	2.5	\$ 27.05		

Expired or forfeited	(0.1 )	\$ 29.76		
Granted	1.1	\$ 4.33		
Outstanding at March 31, 2019	3.5	\$ 19.83	6	\$ 12.1
Options exercisable at March 31, 2019	1.9	\$ 28.67	9	\$ 15.4
Options vested and expected to vest <sup>(2)</sup> at March 31, 2019	3.5	\$ 19.83	8	\$ 27.5

The aggregate intrinsic value (the difference between the closing price of the Company's common shares on the last trading day of the first quarter of 2019 and the exercise price, multiplied by the number of "in-the-money" options)

- (1) that would have been received by the option holders had all option holders exercised their options on March 31, 2019. The amount of aggregate intrinsic value will change based on the fair market value of the Company's common shares.
- (2) The options expected to vest are the result of applying the pre-vesting forfeiture rate assumption to total outstanding non-vested options.

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

The following table summarizes information on non-vested RSUs and performance shares relating to employees and non-employee directors for the three months ended March 31, 2019:

	Number of Shares	Weighted-Average Grant-Date Fair Value
RSUs:		
Non-vested at January 1, 2019	1.6	\$ 19.66
Vested	(0.6 )	\$ 21.57
Granted	1.2	\$ 4.08
Non-vested at March 31, 2019	2.2	\$ 10.62
Performance Shares:		
Non-vested at January 1, 2019	3.0	\$ 26.90
Forfeited	(0.5 )	\$ 26.78
Vested	(0.2 )	\$ 26.60
Non-vested at March 31, 2019	2.3	\$ 26.90

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

As of March 31, 2019, there were 0.1 non-employee director deferred shares vested and outstanding.

On April 25, 2019, the Company's shareholders approved amendments to the 2017 Plan, which provide for an additional 3.0 common shares available for award. The 2017 Plan is expected to attract and retain directors, officers and employees of the Company by providing incentives and rewards for performance.

## Note 5: Income Taxes

The effective tax rate on loss from continuing operations was (85.0) percent for the three months ended March 31, 2019. The expense on the loss is due primarily to the tax impacts of the the U.S. Tax Cuts and Jobs Act (the Tax Act) on the estimated projected tax rate. More specifically, the impacts of the global intangible low-taxed income (GILTI) and base erosion and anti-abuse tax (BEAT). In addition, the Company collapsed its Barbados structure to meet the debt covenant requirements from our lenders during the quarter which resulted in additional discrete tax expense which is being offset in part by the valuation allowance release relating to the Company's nondeductible interest expense resulting in no additional cash taxes. The above items noted as well as the Company's jurisdictional income (loss) mix and varying respective statutory rates are the primary drivers of the quarterly tax rate.

The effective tax rate on the net loss was (40.4) percent for the three months ended March 31, 2018. The expense on the loss is due primarily from impacts related to GILTI on the estimated annual tax rate.



Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

## Note 6: Inventories

Major classes of inventories are summarized as follows:

	March 31, 2019	December 31, 2018
Finished goods	\$261.4	\$ 211.2
Service parts	222.2	221.6
Raw materials and work in process	179.4	177.3
Total inventories	\$663.0	\$ 610.1

The increase in finished goods inventory was primarily attributable to increased in transit inventory to meet customer orders in Brazil, Thailand and Europe, Middle East and Africa (EMEA).

## Note 7: Investments

The Company's investments, primarily in Brazil, consist of certificates of deposit that are classified as available-for-sale and stated at fair value based upon quoted market prices. Unrealized gains and losses are recorded in accumulated other comprehensive income (AOCI). Realized gains and losses are recognized in investment income and are determined using the specific identification method. There were no realized gains from the sale of securities or proceeds from the sale of available-for-sale securities for the three months ended March 31, 2019 and 2018.

The Company has deferred compensation plans that enable certain employees to defer receipt of a portion of their cash, 401(k) 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 rabbi trusts (refer to note 18), which are 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 trusts are recognized in interest income.

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

	Cost Basis	Unrealized Gain	Fair Value
As of March 31, 2019			
Short-term investments			
Certificates of deposit	\$31.5	\$ —	\$ 31.5
Long-term investments			
Assets held in a rabbi trust	\$6.1	\$ 0.5	\$ 6.6
As of December 31, 2018			
Short-term investments			
Certificates of deposit	\$33.5	\$ —	\$ 33.5
Long-term investments			
Assets held in a rabbi trust	\$6.5	\$ (0.2 )	\$ 6.3

Securities and other investments also includes a cash surrender value of insurance contracts of \$9.3 and \$11.1 as of March 31, 2019 and December 31, 2018, respectively. The decrease is primarily due to death benefits paid. In addition, it includes an interest rate swap asset carrying value of \$2.8 and \$4.8 as of March 31, 2019 and December 31, 2018, respectively, which also represents fair value (refer to note 18).

The Company has certain strategic alliances that are not consolidated. The Company tests these strategic alliances annually, individually and in the aggregate, to determine materiality. The Company owns 40.0 percent of Inspur (Suzhou) Financial Technology Service Co. Ltd. (Inspur JV) and 43.6 percent of Aisino-Wincor Retail & Banking Systems (Shanghai) Co., Ltd. (Aisino JV). The Company engages in transactions in the ordinary course of business with its strategic alliances. The Company's strategic alliances are not significant subsidiaries and are accounted for under the equity method of investments. As of March 31, 2019, the Company had accounts receivable and accounts payable balances with these strategic alliances of \$14.2 and \$9.8,

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

respectively, which are included in trade receivables, less allowances for doubtful accounts accounts payables on the condensed consolidated balance sheets.

In May 2017, the Company announced a strategic partnership with Kony, a leading enterprise mobility and application company, to offer white label mobile application solutions for financial institutions and retailers. As of March 31, 2019, the Company's carrying value in Kony was \$14.0 and the fair value was not estimated as there were no events or changes in circumstances in the investment.

There were no significant changes in provision for credit losses, recoveries and write-offs during the three months ended March 31, 2019 and 2018. As of March 31, 2019, finance leases and notes receivable individually evaluated for impairment were \$36.6 and \$4.8, respectively, with no provision recorded. As of March 31, 2018, finance leases and notes receivable individually evaluated for impairment were \$32.4 and \$15.0, respectively. There have been no material changes to the balances on the finance lease receivables maturity schedule since December 31, 2018. The income related to the finance lease receivables was minimal for the three months ended March 31, 2019.

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

As of March 31, 2019 and December 31, 2018, the recorded investment in past-due financing receivables was minimal and no recorded investment in the finance receivables was past due 90 days or more and still accruing interest.

## Note 8: Goodwill and Other Assets

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

	Eurasia Banking	Americas Banking	Retail	Total
Goodwill	\$ 639.4	\$ 462.9	\$ 305.5	\$ 1,407.8
Accumulated impairment losses	(168.7 )	(122.0 )	—	(290.7 )
Balance at January 1, 2018	\$ 470.7	\$ 340.9	\$ 305.5	\$ 1,117.1
Transferred to assets held for sale	(0.8 )	(0.3 )	(45.9 )	(47.0 )
Currency translation adjustment	(10.0 )	(8.3 )	(7.2 )	(25.5 )
Goodwill	\$ 628.6	\$ 454.3	\$ 252.4	\$ 1,335.3
Impairment	(153.0 )	—	(64.5 )	(217.5 )
Accumulated impairment losses	(321.7 )	(122.0 )	(64.5 )	(508.2 )

Edgar Filing: DIEBOLD NIXDORF, Inc - Form 10-Q

Balance at December 31, 2018	\$ 306.9	\$ 332.3	\$ 187.9	\$ 827.1
Divestitures	—	—	(3.0 )	(3.0 )
Currency translation adjustment	(4.2 )	(3.5 )	(2.8 )	(10.5 )
Goodwill	\$ 624.4	\$ 450.8	\$ 246.6	\$ 1,321.8
Accumulated impairment losses	(321.7 )	(122.0 )	(64.5 )	(508.2 )
Balance at March 31, 2019	\$ 302.7	\$ 328.8	\$ 182.1	\$ 813.6

During the second quarter of 2018, the Company performed an impairment test of goodwill for all of its line of business (LoB) reporting units due to the change in its reportable operating segments. Based on the results of the LoB testing, the fair values of

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

each of the Company's reporting units exceed their carrying values except for the Services-Asia Pacific (AP) and Software-EMEA reporting units which resulted in a non-cash impairment loss of \$83.1 during the second quarter 2018.

The Company identified four reporting units, which are Eurasia Banking, Americas Banking, EMEA Retail and Rest of World Retail. Management determined that the Americas Banking and EMEA Retail reporting unit had a cushion of approximately 20 percent and 10 percent, respectively, when compared to their carrying amounts. The Eurasia Banking had minimal excess fair value or cushion when compared to their carrying amounts, but primarily due to the reporting unit's improved performance, it did not indicate any impairment during the qualitative annual goodwill impairment test. Rest of World Retail had no carrying value as of December 31, 2018. Changes in certain assumptions or the Company's failure to execute on the current plan could have a significant impact to the estimated fair value of the reporting units.

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

As a result of certain impairment triggering events, the Company performed an interim impairment test of goodwill for its four reporting units during the third quarter of 2018. Based on the results of the impairment testing, the Company recorded a non-cash goodwill impairment loss of \$134.4 related to the Eurasia Banking, EMEA Retail and Rest of World Retail reporting units during the third quarter of 2018.

The following summarizes information on intangible assets by major category:

	Weighted-average remaining useful lives	March 31, 2019			December 31, 2018		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships, net	6.4 years	\$698.8	\$(194.2)	\$504.6	\$712.2	\$(179.1)	\$533.1
Internally-developed software	1.3 years	192.5	(126.2)	66.3	189.6	(118.9)	70.7
Development costs non-software	1.6 years	51.5	(43.0)	8.5	52.5	(44.3)	8.2
Other intangibles	0.4 years	78.9	(69.5)	9.4	79.5	(66.9)	12.6
Other intangible assets, net		322.9	(238.7)	84.2	321.6	(230.1)	91.5
Total		\$1,021.7	\$(432.9)	\$588.8	\$1,033.8	\$(409.2)	\$624.6

Amortization expense on capitalized software of \$8.6 and \$8.8 was included in service and software cost of sales for the three months ended March 31, 2019 and 2018, respectively. The Company's total amortization expense, including deferred financing costs, was \$37.1 and \$39.9 for the three months ended March 31, 2019 and 2018, respectively.

Note 9: Guarantees and Product Warranties

The Company provides its global operations guarantees and standby letters of credit through various financial institutions for suppliers, customers, regulatory agencies and insurance providers. If the Company is not able to make payments or fulfill contractual obligations, the suppliers, customers, regulatory agencies and insurance providers may draw on the pertinent bank. At March 31, 2019, the maximum future payment obligations related to these various guarantees totaled \$220.3, of which \$27.5 represented standby letters of credit to insurance providers, and no associated liability was recorded. At December 31, 2018, the maximum future payment obligations relative to these various guarantees totaled \$135.2, of which \$27.5 represented standby letters of credit to insurance providers, and no associated liability was recorded.

The Company provides its customers a manufacturer's warranty and records, at the time of the sale, a corresponding estimated liability for potential warranty costs. Estimated future obligations due to warranty claims are based upon historical factors such

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

as labor rates, average repair time, travel time, number of service calls per machine and cost of replacement parts. The decrease in the liability was primarily due to warranties expiring in Brazil and Germany.

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

	2019	2018
Balance at January 1	\$40.1	\$76.7
Current period accruals	3.9	7.5
Current period settlements	(6.0 )	(19.0 )
Currency translation adjustment	(0.3 )	1.5
Balance at March 31	\$37.7	\$66.7

## Note 10: Restructuring

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

	Three Months Ended March 31, 2019 2018	
Cost of sales – services	\$1.5	\$2.0
Cost of sales – products	—	0.6
Selling and administrative expense	2.2	1.3
Research, development and engineering expense	0.1	—
Total	\$3.8	\$3.9

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

	Three Months Ended March 31, 2019 2018	
Severance		
Eurasia Banking	\$1.5	\$2.5
Americas Banking	0.4	0.1
Retail	0.8	0.5
Corporate	1.1	0.8
Total severance	\$3.8	\$3.9

## DN Now

During the second quarter of 2018, the Company began implementing DN Now to deliver greater, more sustainable profitability. The plan is anticipating savings of approximately \$160 for 2019, of which \$130 is related to the

restructuring actions in connection with the new customer centric operating model with clear role charters and a global workforce aligned with market demand and the remainder is related to other initiatives. Additional near term activities include divesting of non-core and/or non-accretive businesses, initiating a services modernization plan and rationalizing of the Company's product portfolio. The Company incurred restructuring charges of \$3.8 for the three months ended March 31, 2019 related to DN Now. The Company anticipates additional restructuring costs of approximately \$170 to \$200 through the end of the plan primarily related to severance anticipated for completion of the Company's transformation throughout the three solution segments and corporate.

#### Completed Plans

DN2020 Plan. As of August 15, 2016, the date of the acquisition of Wincor Nixdorf Aktiengesellschaft (now known as Diebold Nixdorf AG) (the Acquisition), the Company launched a multi-year integration and transformation program, known as DN2020. The Company incurred restructuring charges of \$3.8 for the three months ended March 31, 2018 related to this plan.

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

Strategic Alliance Plan. On November 10, 2016, the Company entered into a strategic alliance with the Inspur Group, a Chinese cloud computing and data center company, to develop, manufacture and distribute Systems solutions in China. The Company incurred \$0.1 restructuring charges during the three months ended March 31, 2018 related to this plan.

The following table summarizes the Company's cumulative total restructuring costs by plan as of March 31, 2019:

	Severance			Total
	DN Now	DN2020 Plan	Strategic Alliance	
Eurasia Banking	\$34.8	\$ 51.5	\$ 8.2	\$94.5
Americas Banking	9.0	13.6	—	22.6
Retail	13.3	15.6	—	28.9
Corporate	5.6	15.1	—	20.7
Total	\$62.7	\$ 95.8	\$ 8.2	\$166.7

The following table summarizes the Company's restructuring accrual balances and related activity for the three months ended March 31:

	2019	2018
Balance at January 1	\$56.9	\$54.0
Liabilities incurred	3.8	3.9
Liabilities paid/settled	(22.1 )	(10.2 )
Balance at March 31	\$38.6	\$47.7

## Note 11: Debt

Outstanding debt balances were as follows:

	March 31, 2019	December 31, 2018
Notes payable		
Uncommitted lines of credit	\$18.4	\$20.9
Term Loan A-1 Facility	16.3	16.3
Term Loan B Facility - USD	4.8	4.8
Term Loan B Facility - Euro	4.7	4.8
Other	3.0	2.7
	\$47.2	\$49.5
Long-term debt		
Revolving Facility	\$135.0	\$125.0
Term Loan A Facility	126.3	126.3
Delayed Draw Term Loan A Facility	160.5	160.5
Term Loan A-1 Facility	621.6	625.6
Term Loan B Facility - USD	412.0	413.2
Term Loan B Facility - Euro	402.9	411.9

Edgar Filing: DIEBOLD NIXDORF, Inc - Form 10-Q

2024 Senior Notes	400.0	400.0
Other	2.6	2.4
	2,260.9	2,264.9
Long-term deferred financing fees	(69.7 )	(74.9 )
	\$2,191.2	\$2,190.0

As of March 31, 2019, the Company had various international short-term uncommitted lines of credit with borrowing limits of \$50.8. The weighted-average interest rate on outstanding borrowings on the short-term uncommitted lines of credit as of March 31, 2019 and December 31, 2018 was 8.83 percent and 8.80 percent, respectively, and primarily relate to short-term uncommitted lines of credit in India and Brazil. Short-term uncommitted lines mature in less than one year. The amount available under the short-term uncommitted lines at March 31, 2019 was \$32.4.

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

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

	Three Months Ended March 31,	
	2019	2018
Revolving credit facility borrowings (repayments), net	\$10.0	\$(75.0)
Other debt borrowings		
International short-term uncommitted lines of credit borrowings	\$5.0	\$26.0
Other debt repayments		
Payments on Term Loan A Facility under the Credit Agreement	\$—	\$(5.8 )
Payments on Delayed Draw Term Loan A Facility under the Credit Agreement	—	(3.1 )
Payments Term Loan A-1 Facility under the Credit Agreement	(4.0 )	—
Payments on Term Loan B Facility - USD under the Credit Agreement	(1.2 )	(1.2 )
Payments on Term Loan B Facility - Euro under the Credit Agreement	(1.2 )	(1.3 )
International short-term uncommitted lines of credit and other repayments	(10.4 )	(20.3 )
	\$(16.8)	\$(31.7)

The Company has a revolving and term loan credit agreement (the Credit Agreement), with a revolving facility of up to \$500.0 (the Revolving Facility). On December 23, 2020, the Term Loan A Facility will mature and the Revolving Facility will automatically terminate. The weighted-average interest rate on outstanding Revolving Facility borrowings as of March 31, 2019 and December 31, 2018 was 6.00 percent and 5.97 percent, respectively, which is variable based on the London Interbank Offered Rate (LIBOR). The amount available under the Revolving Facility as of March 31, 2019 was \$337.5, after excluding \$27.5 in letters of credit.

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

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

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

executed, and has caused certain of its subsidiaries to execute, certain foreign security and guaranty documents for the benefit of the secured parties under the Credit Agreement that provide for guarantees by, and additional security with respect to the equity interests in and the the stock of certain foreign subsidiaries.

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

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

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

The Credit Agreement financial ratios at March 31, 2019 were as follows:

a maximum allowable total net debt to adjusted EBITDA leverage ratio of 7.00 to 1.00 as of December 31, 2018 (reducing to 6.50 on June 30, 2020, 6.25 on December 31, 2020, 6.00 on June 30, 2021, and 5.75 on December 31, 2021); and

a minimum adjusted EBITDA to net interest expense coverage ratio of not less than 1.38 to 1.00 (increasing to 1.50 on December 31, 2020, and 1.63 on December 31, 2021).

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

Below is a summary of financing and replacement facilities information:

Financing and Replacement Facilities	Interest Rate Index and Margin	Maturity/Termination Dates	Initial Term (Years)
Credit Agreement facilities			
Revolving Facility	LIBOR + 3.50%	December 2020	5
Term Loan A Facility	LIBOR + 3.50%	December 2020	5
Delayed Draw Term Loan A Facility	LIBOR + 3.50%	December 2020	5
Term Loan A-1 Facility	LIBOR + 9.25%	August 2022	4
Term Loan B Facility - USD	LIBOR <sup>(i)</sup> + 2.75%	November 2023	7.5
Term Loan B Facility - Euro	EURIBOR <sup>(ii)</sup> + 3.00%	November 2023	7.5
2024 Senior Notes	8.5%	April 2024	8

(i) LIBOR with a floor of 0.0%.

(ii) EURIBOR with a floor of 0.0%.

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

The Company's financing agreements contain various financial covenants, including net debt to capitalization, net debt to EBITDA and net interest coverage ratio, along with certain negative covenants that, among other things, limit dividends, acquisitions and the use of proceeds from divestitures. Under the Sixth Amendment, the Term Loan A-1 Facility is under a covenant holiday period until the earlier of any covenant reset trigger or April 1, 2019. As of March 31, 2019, the Company was in compliance with the financial and other covenants in its debt agreements.

## Note 12: Redeemable Noncontrolling Interests

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

	2019	2018
Balance at January 1	\$130.4	\$492.1
Other comprehensive income	(1.7 )	—
Redemption value adjustment	(18.6 )	17.5
Redemption of shares	(10.3 )	—
Balance at March 31	\$99.8	\$509.6

On February 14, 2017, the date of effectiveness of the Domination and Profit and Loss Transfer Agreement, dated September 26, 2016 (the DPLTA), between Diebold Holding Germany Inc. & Co. KGaA (Diebold KGaA), a wholly-owned subsidiary of Diebold

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

Nixdorf, Incorporated, and Diebold Nixdorf AG, the carrying value of the noncontrolling interest related to the Diebold Nixdorf AG of \$386.7 was reclassified to redeemable noncontrolling interest. For the period of time that the DPLTA is effective, this interest in Diebold Nixdorf AG will remain in redeemable noncontrolling interest and presented outside of equity in the consolidated balance sheets of the Company. As of March 31, 2019 and December 31, 2018, the balance related to the redeemable noncontrolling interest related to the Diebold Nixdorf AG ordinary shares the Company did not acquire was \$87.4 and \$99.1, respectively. The change is primarily related to currency fluctuations and the redemption of 0.2 Diebold Nixdorf AG ordinary shares in the three months ended March 31, 2019. The Company increased its ownership stake in Diebold Nixdorf AG to 28.4 ordinary shares, or approximately 95.3 percent, as of March 31, 2019. In March 2019, at a Diebold Nixdorf AG shareholder meeting, a merger squeeze-out was approved and, as a result, Diebold Nixdorf AG and Diebold KGaA will continue to execute the squeeze-out procedures.

The DPLTA offers the Diebold Nixdorf AG minority shareholders, at their election, (i) the ability to put their Diebold Nixdorf AG ordinary shares to Diebold KGaA in exchange for cash compensation of €55.02 per Diebold Nixdorf AG ordinary share or (ii) to remain Diebold Nixdorf AG minority shareholders and receive a recurring compensation in cash of €2.82 per Diebold Nixdorf AG ordinary share for each full fiscal year of Diebold Nixdorf AG. The redemption value adjustment includes the updated cash compensation pursuant to the DPLTA. A portion of the proceeds of the Term Loan A-1 Facility are restricted to fund the purchase of the remaining shares of Diebold Nixdorf AG not owned by the Company. The Company classified the proceeds set aside to purchase the remaining shares in restricted cash in the condensed consolidated balance sheets.

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

Table of Contents

## DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

## Note 13: Equity

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

	Common Shares	Additional Capital	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Total Diebold Nixdorf, Incorporated Shareholders' Equity	Non-controlling Interests	Total Equity
Balance, December 31, 2017	\$ 113.2	\$ 721.5	\$ 374.5	\$ (567.4)	\$ (196.3)	\$ 445.5	\$ 36.8	\$ 482.3
Net income (loss)			(73.2)			(73.2)	7.6	(65.6)
Other comprehensive income (loss)					(9.2)	(9.2)	—	(9.2)
Share-based compensation issued	0.6	(0.6)				—		—
Share-based compensation expense		13.7				13.7		13.7
Dividends paid			(7.7)			(7.7)		(7.7)
Accounting principle change			33.6			33.6		33.6
Treasury shares				(2.5)		(2.5)		(2.5)
Reclassification of guaranteed dividend to accrued liabilities						—	(4.4)	(4.4)
Distribution noncontrolling interest holders, net						—	(0.5)	(0.5)
Acquisitions and divestitures, net						—	(3.3)	(3.3)
Balance, March 31, 2018	\$ 113.8	\$ 734.6	\$ 327.2	\$ (569.9)	\$ (205.5)	\$ 400.2	\$ 36.2	\$ 436.4
Balance, December 31, 2018	\$ 114.2	\$ 741.8	\$ (168.3)	\$ (570.4)	\$ (303.7)	\$ (186.4)	\$ 26.8	\$ (159.6)
Net income (loss)			(132.7)			(132.7)	0.8	(131.9)
Other comprehensive income (loss)					(1.1)	(1.1)	2.7	1.6
Share-based compensation issued	0.7	(0.7)				—		—
Share-based compensation expense		9.3				9.3		9.3
Treasury shares				(1.1)		(1.1)		(1.1)
Reclassification of guaranteed dividend to accrued liabilities						—	(0.6)	(0.6)

Reclassifications of redeemable noncontrolling interest	10.6				10.6	—		10.6
Acquisitions and divestitures, net						—	(3.0 )	(3.0 )
Balance, March 31, 2019	\$ 114.9	\$ 761.0	\$(301.0)	\$(571.5)	\$ (304.8 )	\$ (301.4 )	\$ 26.7	\$(274.7)

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

## Note 14: Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in the Company's AOCI, net of tax, by component for the three months ended March 31, 2019:

	Translation	Foreign Currency Hedges	Interest Rate Hedges	Pension and Other Post-retirement Benefits	Other	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2019	\$ (191.5 )	\$ (1.9 )	\$ 10.6	\$ (121.0 )	\$ 0.1	\$ (303.7 )
Other comprehensive income (loss) before reclassifications <sup>(1)</sup>	1.7	(0.6 )	(2.3 )	—	0.1	(1.1 )
Amounts reclassified from AOCI	—	—	0.5	(0.5 )	—	—
Net current-period other comprehensive income (loss)	1.7	(0.6 )	(1.8 )	(0.5 )	0.1	(1.1 )
Balance at March 31, 2019	\$ (189.8 )	\$ (2.5 )	\$ 8.8	\$ (121.5 )	\$ 0.2	\$ (304.8 )

<sup>(1)</sup> Other comprehensive income (loss) before reclassifications within the translation component excludes \$2.7 of translation attributable to noncontrolling interests.

The following table summarizes the changes in the Company's AOCI, net of tax, by component for the three months ended March 31, 2018:

	Translation	Foreign Currency Hedges	Interest Rate Hedges	Pension and Other Post-retirement Benefits	Other	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2018	\$ (116.8 )	\$ (5.1 )	\$ 8.1	\$ (82.6 )	\$ 0.1	\$ (196.3 )
Adoption of accounting standards <sup>(1)</sup>	(9.1 )	(1.0 )	1.3	(20.2 )	—	\$ (29.0 )
Other comprehensive income (loss) before reclassifications	18.2	(2.8 )	2.2	—	—	17.6
Amounts reclassified from AOCI	—	—	0.4	1.8	—	2.2
Net current-period other comprehensive income (loss)	9.1	(3.8 )	3.9	(18.4 )	—	(9.2 )
Balance at March 31, 2018	\$ (107.7 )	\$ (8.9 )	\$ 12.0	\$ (101.0 )	\$ 0.1	\$ (205.5 )

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

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

	Three Months Ended 2019	Three Months Ended 2018	Affected Line Item in the Statement of Operations
Interest rate hedges	\$0.5	\$0.4	Interest expense
Pension and post-retirement benefits:			
Net actuarial (loss) gain amortization (net of tax of \$(0.3) and \$(0.4), respectively)	(0.5 )	1.8	<sup>(1)</sup>

Total reclassifications for the period \$— \$2.2

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

Note 15: Acquisitions and Divestitures

In the first quarter of 2019, the Company liquidated its SecurCash B.V. Netherlands entity, a cash transportation services business, Diebold Hungary Manufacturing, a manufacturing business and three Barbados holding companies resulting in a gain of \$3.5. The Company divested its interest in Projective NV, a program and project management services business for financial institutions, for \$4.2 in proceeds, net of cash transferred resulting in a loss of \$2.8. The Company also recorded a loss of \$4.1 on the divestiture of its Venezuela business.

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

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

## Note 16: Benefit Plans

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

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

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

The following table sets forth the net periodic benefit cost for the Company's defined benefit pension plans and other benefits for the three months ended March 31:

	Pension Benefits					
	U.S.Plans		Non-U.S. Plans		Other Benefits	
	2019	2018	2019	2018	2019	2018
Components of net periodic benefit cost						
Service cost	\$0.9	\$1.0	\$2.5	\$2.8	\$—	\$—
Interest cost	5.5	5.2	1.6	1.6	0.1	0.1
Expected return on plan assets	(6.2 )	(6.2 )	(3.1 )	(2.7 )	—	—
Recognized net actuarial loss	1.3	1.6	(0.4 )	(0.2 )	—	—
Net periodic pension benefit cost	\$1.5	\$1.6	\$0.6	\$1.5	\$0.1	\$0.1

## Contributions

There have been no significant changes to the expected 2019 plan year contribution amounts previously disclosed. For the three months ended March 31, 2019 and 2018, contributions of \$11.9 and \$22.6, respectively, were made to the qualified and non-qualified pension plans. The Company anticipates reimbursement of approximately \$13 for certain benefits paid from its trustee in 2019. In March 2018, the Company received a \$13.8 reimbursement for certain benefits paid from its trustees.

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

## Note 17: Derivative Instruments and Hedging Activities

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

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

Derivative instrument	Classification on condensed consolidated statements of operations	Three Months Ended March 31,	
		2019	2018
Non-designated hedges and interest rate swaps	Interest expense	\$1.1	\$(0.3)
Foreign exchange forward contracts and cash flow hedges	Net sales	(0.1)	2.6
Foreign exchange forward contracts and cash flow hedges	Cost of sales	—	(0.1)
Foreign exchange forward contracts and cash flow hedges	Foreign exchange gain (loss), net	0.2	(0.2)
Total		\$1.2	\$2.0

## Foreign Exchange

**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 elected not to apply hedge accounting to its foreign exchange forward contracts and therefore, spot-based gains/losses offset revaluation gains/losses within foreign exchange loss, net and forward-based gains/losses represent interest expense or income. The fair value of the Company's non-designated foreign exchange forward contracts was \$1.0 and \$0.5 as of March 31, 2019 and December 31, 2018, respectively.

**Cash Flow Hedges** The Company is exposed to fluctuations in various foreign currencies against its functional currency. The Company's sales and purchases are transacted in foreign currencies. As of March 31, 2019, the Company had the following outstanding foreign currency derivatives that were used to hedge its foreign exchange risks:

Foreign Currency Derivative	Number of Instruments	Notional Sold	Notional Purchased
-----------------------------	-----------------------	---------------	--------------------

Currency forward agreements (EUR-GBP) 12 27.5 GBP 30.9 EUR

#### Interest Rate

**Cash Flow Hedges** The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. Amounts reported in AOCI related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. The Company estimates that a minimal amount will be reclassified as a decrease to interest expense over the next year.

In November 2016, the Company entered into multiple pay-fixed receive-variable interest rate swaps with an aggregate notional amount of \$400.0. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in AOCI and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings.

The Company has an interest rate swap for a nominal sum of €50.0, which was entered into in May 2010 with a ten-year term from October 1, 2010 until September 30, 2020. The interest rate swap is not designated and changes in the fair value of non-

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

designated interest rate swap agreements are recognized in miscellaneous, net in the condensed consolidated statements of operations. The Company recognized \$0.5 in interest expense relating to the interest rate swap for both the three months ended March 31, 2019 and 2018.

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

## Note 18: Fair Value of Assets and Liabilities

## Assets and Liabilities Recorded at Fair Value

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

	Classification on condensed consolidated Balance Sheets	March 31, 2019			December 31, 2018		
		Fair Value	Level 1	Level 2	Fair Value	Level 1	Level 2
<b>Assets</b>							
Short-term investments							
Certificates of deposit	Short-term investments	\$31.5	\$31.5	\$—	\$33.5	\$33.5	\$—
Assets held in rabbi trusts	Securities and other investments	6.6	6.6	—	6.3	6.3	—
Foreign exchange forward contracts	Other current assets	1.7	—	1.7	3.4	—	3.4
Interest rate swaps	Other current assets	4.6	—	4.6	5.3	—	5.3
Interest rate swaps	Securities and other investments	2.8	—	2.8	4.8	—	4.8
Total		\$47.2	\$38.1	\$9.1	\$53.3	\$39.8	\$13.5
<b>Liabilities</b>							
Foreign exchange forward contracts							
Interest rate swaps	Other current liabilities	\$5.3	\$—	\$5.3	\$3.1	\$—	\$3.1
Deferred compensation	Other current liabilities	3.6	—	3.6	3.6	—	3.6
Total	Other liabilities	6.6	6.6	—	6.3	6.3	—
		\$15.5	\$6.6	\$8.9	\$13.0	\$6.3	\$6.7

The Company uses the end of period when determining the timing of transfers between levels. During each of the three months ended March 31, 2019 and 2018, there were no transfers between levels.

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

	March 31, 2019	December 31, 2018	
Fair Value	Carrying Value	Fair Value	Carrying Value

2024 Senior Notes 358.0 400.0 242.0 400.0

Refer to note 11 for further details surrounding the Company's long-term debt as of March 31, 2019 compared to December 31, 2018. Additionally, the Company remeasures certain assets to fair value, using Level 3 measurements, as a result of the occurrence of triggering events. In the second and third quarters of 2018, in connection with certain triggering events, the Company performed impairment tests of goodwill for all of its reporting units, refer to note 8 for further details. Besides goodwill from certain reporting units noted above, there were no significant assets or liabilities that were remeasured at fair value on a non-recurring basis during the period presented.

#### Note 19: Commitments and Contingencies

##### Contractual Obligation

At March 31, 2019, the Company had purchase commitments due within one year totaling \$0.1 for materials and services through contract manufacturing agreements at negotiated prices. The Company guarantees a fixed cost of certain products used in production to its China strategic partners.

##### Indirect Tax Contingencies

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

At March 31, 2019, the Company was a party to several routine indirect tax claims from various taxing authorities globally that were incurred in the normal course of business, which neither individually nor in the aggregate are considered material by management in relation to the Company's financial position or results of operations. In management's opinion, the consolidated financial statements would not be materially affected by the outcome of these indirect tax claims and/or proceedings or asserted claims.

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

The Company has challenged multiple customs rulings in Thailand seeking to retroactively collect customs duties on previous imports of automatic teller machines (ATMs). In August 2017 and March 2019, the Supreme Court of Thailand ruled in the Company's favor in two of the matters, finding that Customs' attempt to collect duties for importation of ATMs was improper. The surviving matters remain at various stages of the appeals process and the Company will use the Supreme Court's decisions in support of its position in those matters. Management remains confident that the Company has a valid legal position in these appeals. Accordingly, the Company does not have any amount accrued for this contingency.

A loss contingency is reasonably possible if it has a more than remote but less than probable chance of occurring. Although management believes the Company has valid defenses with respect to its indirect tax positions, it is reasonably possible that a loss could occur in excess of the estimated accrual. The Company estimated the aggregate risk at March 31, 2019 to be up to \$118.7 for its material indirect tax matters, of which \$27.0 related to the Thailand customs matter disclosed above. The aggregate risk related to indirect taxes is adjusted as the applicable statutes of limitations expire.

## Legal Contingencies

At December 31, 2018, the Company was a party to several lawsuits that were incurred in the normal course of business, which neither individually nor in the aggregate were considered material by management in relation to the Company's financial position or results of operations. In management's opinion, the Company's consolidated financial statements would not be materially affected by the outcome of these legal proceedings, commitments or asserted claims.

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

Diebold KGaA is a party to appraisal proceedings (Spruchverfahren) relating to the DPLTA entered into by Diebold KGaA and Diebold Nixdorf AG on September 26, 2016, pending at the District Court (Landgericht) of Dortmund (Germany). The appraisal proceedings were filed by minority shareholders of Diebold Nixdorf AG challenging the adequacy of both the cash exit compensation of €55.02 per Diebold Nixdorf AG share and the annual recurring compensation of €2.82 per Diebold Nixdorf AG share offered in connection with the DPLTA. A ruling by the court would apply to all Diebold Nixdorf AG shares outstanding at the time the DPLTA became effective. While the Company believes that the compensation offered in connection with the DPLTA

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

was fair and the claims lack merit, this matter is still at a preliminary stage and the outcome is uncertain. As a result, the Company is unable to reasonably estimate the possible loss or range of losses, if any, arising from this litigation.

Note 20: Segment Information

The Company's accounting policies derive segment results that are the same as those the Chief Operating Decision Maker (CODM) regularly reviews and uses to make decisions, allocate resources and assess performance. The Company continually considers its operating structure and the information subject to regular review by its Chief Executive Officer, who is the CODM, to identify reportable operating segments. The Company's operating structure is based on a number of factors that management uses to evaluate, view and run its business operations, which currently includes, but is not limited to, product, service and solution. The Company's reportable operating segments are based on the following solutions: Eurasia Banking, Americas Banking and Retail.

Segment revenue represents revenues from sales to external customers. Segment operating profit is defined as revenues less expenses identifiable to those segments. The Company does not allocate to its segments certain operating expenses, managed at the corporate level; that are not routinely used in the management of the segments; or information that is impractical to allocate. These unallocated costs include certain corporate costs, amortization of acquired intangible assets and deferred revenue, restructuring charges, impairment charges, legal, indemnification and professional fees related to acquisition and divestiture expenses, along with other income (expenses). Segment operating profit reconciles to consolidated income (loss) before income taxes by deducting corporate costs and other income or expense items that are not attributed to the segments. Corporate charges not allocated to segments include headquarter-based costs associated with procurement, human resources, compensation and benefits, finance and accounting, global development/engineering, global strategy/mergers and acquisitions, global IT, tax, treasury and legal. Assets are not allocated to segments, and thus are not included in the assessment of segment performance, and consequently, we do not disclose total assets and depreciation and amortization expense by reportable operating segment.

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

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

	Three Months Ended	
	March 31,	
	2019	2018
Net sales summary by segment		
Eurasia Banking	\$382.6	\$435.1
Americas Banking	362.7	333.7
Retail	282.8	295.4
Total revenue	\$1,028.1	\$1,064.2
Intersegment revenue		
Eurasia Banking	\$55.2	\$31.0
Americas Banking	2.2	5.5
Total intersegment revenue	\$57.4	\$36.5
Segment operating profit		
Eurasia Banking	\$33.7	\$19.5
Americas Banking	18.5	5.0
Retail	8.1	10.2
Total segment operating profit	60.3	34.7
Corporate charges not allocated to segments <sup>(1)</sup>	(33.2 )	(17.1 )
Restructuring charges	(3.8 )	(3.9 )
Net non-routine expense	(47.8 )	(37.2 )
	(84.8 )	(58.2 )
Operating loss	(24.5 )	(23.5 )
Other income (expense)	(46.6 )	(24.0 )
Loss before taxes	\$(71.1 )	\$(47.5 )

Corporate charges not allocated to segments include headquarter-based costs associated with procurement, human

<sup>(1)</sup> resources, compensation and benefits, finance and accounting, global development/engineering, global strategy/mergers and acquisitions, global IT, tax, treasury and legal.

Net non-routine expense consists of items that the Company has determined are non-routine in nature and not allocated to the reportable operating segments. Net non-routine expense of \$47.8 for the three months ended March 31, 2019 primarily consisted of purchase accounting pre-tax charges for amortization of acquired intangibles of \$24.6 and legal, consulting and deal expense of \$20.7. Net non-routine expense of \$37.2 for the three months ended March 31, 2018 was primarily due to acquisition integration expenses of \$15.2, primarily within selling and administrative expense, and purchase accounting pre-tax charges for amortization of acquired intangibles of \$31.2.

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

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

	Three Months	
	Ended	
	March 31,	
	2019	2018
Segments		
Eurasia Banking		
Services	\$247.0	\$279.2
Products	135.6	155.9
Total Eurasia Banking	382.6	435.1
Americas Banking		
Services	240.8	251.2
Products	121.9	82.5
Total Americas Banking	362.7	333.7
Retail		
Services	140.9	159.9
Products	141.9	135.5
Total Retail	282.8	295.4
Total net sales	\$1,028.1	\$1,064.2

In the following table, revenue is disaggregated by timing of revenue recognition at March 31:

Timing of revenue recognition	2019	2018
Products transferred at a point in time	39 %	35 %
Products and services transferred over time	61 %	65 %
Net sales	100 %	100 %

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

Note 21: Supplemental Guarantor Information

The Company issued the 2024 Senior Notes in an offering exempt from the registration requirements of the Securities Act of 1933. The 2024 Senior Notes are and will be guaranteed by certain of the Company's existing and future domestic subsidiaries. In addition, the 2024 Senior Notes are guaranteed by a foreign subsidiary of the Company. The following presents the condensed consolidating financial information separately for:

- (i) Diebold Nixdorf, Incorporated (the Parent Company), the issuer of the guaranteed obligations;
- (ii) Domestic guarantor subsidiaries, on a combined basis, as specified in the indenture governing the Company's obligations under the 2024 Senior Notes;
- (iii) Foreign guarantor subsidiary, as specified in the indenture governing the Company's obligations under the 2024 Senior Notes;
- (iv) Non-guarantor subsidiaries, on a combined basis;

Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions (v) between the Parent Company, the guarantor subsidiaries, the foreign guarantor subsidiary and the non-guarantor subsidiaries, (b) eliminate the investments in its subsidiaries, and (c) record consolidating entries; and

- (vi) Diebold Nixdorf, Incorporated and Subsidiaries on a consolidated basis.

Each guarantor subsidiary is 100 percent owned by the Parent Company at the date of each balance sheet presented. The 2024 Senior Notes are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary. The guarantees of the guarantor subsidiaries are subject to release in limited circumstances only upon the occurrence of certain conditions. Each entity in the consolidating financial information follows the same accounting policies as described in the condensed consolidated financial statements, except for the use by the Parent Company and the guarantor subsidiaries of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation. Changes in intercompany receivables and payables related to operations, such as intercompany sales or service charges, are included in cash flows from operating activities. Intercompany transactions reported as investing or financing activities include the sale of capital stock of various subsidiaries, loans and other capital transactions between members of the consolidated group.

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

The Company also reclassified certain assets and liabilities for inclusion of an additional wholly-owned domestic subsidiary from its non-guarantor subsidiaries to the combined guarantor subsidiaries and a wholly-owned foreign subsidiary from its non-guarantor subsidiaries to the foreign guarantor subsidiary as a result of changes included in the Sixth Amendment.



Table of Contents

## DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

## Condensed Consolidating Balance Sheet

As of March 31, 2019

	Parent	Domestic Guarantor Subsidiaries	Foreign Guarantor Subsidiary	Non- Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
<b>ASSETS</b>						
Current assets						
Cash, cash equivalents and restricted cash	\$ 14.1	\$ 3.0	\$ —	\$ 360.8	\$ —	\$ 377.9
Short-term investments	—	—	—	31.5	—	31.5
Trade receivables, net	117.2	—	—	580.5	—	697.7
Intercompany receivables	660.3	589.3	—	724.4	(1,974.0 )	—
Inventories	161.7	—	—	505.4	(4.1 )	663.0
Prepaid, income taxes and other current assets	32.8	12.6	—	334.0	(12.2 )	367.2
Total current assets	986.1	604.9	—	2,536.6	(1,990.3 )	2,137.3
Securities and other investments	18.7	—	—	—	—	18.7
Property, plant and equipment, net	75.5	0.7	—	218.3	—	294.5
Goodwill	55.5	—	—	758.1	—	813.6
Deferred income taxes	106.5	6.2	—	95.7	—	208.4
Intangible assets, net	28.9	—	—	559.9	—	588.8
Investment in subsidiary	1,738.7	(1.6 )	419.7	—	(2,156.8 )	—
Long-term intercompany receivables	617.9	—	—	—	(617.9 )	—
Other assets	53.5	0.3	—	212.2	—	266.0
Total assets	\$ 3,681.3	\$ 610.5	\$ 419.7	\$ 4,380.8	\$ (4,765.0 )	\$ 4,327.3
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY</b>						
Current liabilities						
Notes payable	\$ 26.9	\$ —	\$ —	\$ 20.3	\$ —	\$ 47.2
Accounts payable	79.6	0.1	—	412.1	—	491.8
Intercompany payable	1,192.2	59.8	122.5	599.5	(1,974.0 )	—
Deferred revenue	124.6	—	—	318.6	—	443.2
Payroll and other benefits liabilities	25.0	0.5	—	141.7	—	167.2
Other current liabilities	151.6	0.1	—	365.6	(12.2 )	505.1
Total current liabilities	1,599.9	60.5	122.5	1,857.8	(1,986.2 )	1,654.5
Long-term debt	2,164.5	—	—	26.7	—	2,191.2
Long-term intercompany payable	—	—	—	617.9	(617.9 )	—
Other long-term liabilities	218.3	—	—	438.2	—	656.5
Commitments and contingencies	—	—	—	—	—	—
Redeemable noncontrolling interests	—	—	—	99.8	—	99.8
Total Diebold Nixdorf, Incorporated shareholders' equity	(301.4 )	550.0	297.2	1,313.7	(2,160.9 )	(301.4 )
Noncontrolling interests	—	—	—	26.7	—	26.7
	\$ 3,681.3	\$ 610.5	\$ 419.7	\$ 4,380.8	\$ (4,765.0 )	\$ 4,327.3

Total liabilities, redeemable noncontrolling  
interests and equity

30

---

Table of Contents

## DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

## Condensed Consolidating Balance Sheet

As of December 31, 2018

	Parent	Domestic Guarantor Subsidiaries	Foreign Guarantor Subsidiary	Non- Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
<b>ASSETS</b>						
Current assets						
Cash, cash equivalents and restricted cash	\$ 17.3	\$ 2.7	\$ —	\$ 438.4	\$ —	\$ 458.4
Short-term investments	—	—	—	33.5	—	33.5
Trade receivables, net	105.7	0.1	—	631.4	—	737.2
Intercompany receivables	205.3	606.3	—	536.5	(1,348.1 )	—
Inventories	164.8	—	—	447.5	(2.2 )	610.1
Prepaid, income taxes and other current assets	36.8	12.7	—	340.5	(25.8 )	364.2
Total current assets	529.9	621.8	—	2,427.8	(1,376.1 )	2,203.4
Securities and other investments	22.4	—	—	—	—	22.4
Property, plant and equipment, net	76.9	0.8	—	226.4	—	304.1
Deferred income taxes	139.9	6.2	—	97.8	—	243.9
Goodwill	58.1	—	—	769.0	—	827.1
Intangible assets, net	30.8	—	—	593.8	—	624.6
Investment in subsidiary	2,702.1	(0.6 )	1,129.0	—	(3,830.5 )	—
Other assets	30.2	0.4	—	69.3	(13.5 )	86.4
Total assets	\$ 3,590.3	\$ 628.6	\$ 1,129.0	\$ 4,184.1	\$ (5,220.1 )	\$ 4,311.9
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY</b>						
Current liabilities						
Notes payable	\$ 25.7	\$ 0.1	\$ —	\$ 23.7	\$ —	\$ 49.5
Accounts payable	88.1	—	—	421.4	—	509.5
Intercompany payable	1,030.8	60.8	120.1	136.4	(1,348.1 )	—
Deferred revenue	116.6	0.1	—	261.5	—	378.2
Payroll and other benefits liabilities	26.7	1.3	—	156.3	—	184.3
Other current liabilities	114.2	1.5	—	352.4	(21.2 )	446.9
Total current liabilities	1,402.1	63.8	120.1	1,351.7	(1,369.3 )	1,568.4
Long-term debt	2,172.5	—	—	17.5	—	2,190.0
Other long-term liabilities	202.1	—	—	398.6	(18.0 )	582.7
Redeemable noncontrolling interests	—	—	—	130.4	—	130.4
Total Diebold Nixdorf, Incorporated shareholders' equity	(186.4 )	564.8	1,008.9	2,259.1	(3,832.8 )	(186.4 )
Noncontrolling interests	—	—	—	26.8	—	26.8
Total liabilities, redeemable noncontrolling interests and equity	\$ 3,590.3	\$ 628.6	\$ 1,129.0	\$ 4,184.1	\$ (5,220.1 )	\$ 4,311.9



Table of Contents

## DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

## Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)

Three Months Ended March 31, 2019

	Parent	Domestic Guarantor Subsidiaries	Foreign Guarantor Subsidiary	Non- Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	\$295.5	\$ 0.1	\$ —	\$ 851.3	\$ (118.8 )	\$ 1,028.1
Cost of sales	243.0	0.2	—	650.9	(110.1 )	784.0
Gross profit (loss)	52.5	(0.1 )	—	200.4	(8.7 )	244.1
Selling and administrative expense	84.0	1.1	—	143.2	—	228.3
Research, development and engineering expense	1.2	8.8	—	31.5	(4.6 )	36.9
Loss on sale of assets, net	—	—	—	3.4	—	3.4
	85.2	9.9	—	178.1	(4.6 )	268.6
Operating (loss) income	(32.7 )	(10.0 )	—	22.3	(4.1 )	(24.5 )
Other income (expense)						
Interest income	0.9	—	—	2.0	—	2.9
Interest expense	(47.5 )	—	—	(3.4 )	—	(50.9 )
Foreign exchange (loss) gain, net	(1.4 )	—	—	4.2	—	2.8
Miscellaneous, net	12.6	0.3	(1.7 )	(9.8 )	(2.8 )	(1.4 )
(Loss) income before taxes	(68.1 )	(9.7 )	(1.7 )	15.3	(6.9 )	(71.1 )
Income tax expense	41.0	(6.4 )	0.7	25.1	—	60.4
Equity in earnings of subsidiaries	(23.6 )	(1.0 )	19.8	(0.4 )	4.8	(0.4 )
Net (loss) income	(132.7 )	(4.3 )	17.4	(10.2 )	(2.1 )	(131.9 )
Net income attributable to noncontrolling interests	—	—	—	0.8	—	0.8
Net (loss) income attributable to Diebold Nixdorf, Incorporated	\$(132.7)	\$ (4.3 )	\$ 17.4	\$ (11.0 )	\$ (2.1 )	\$(132.7 )
Comprehensive (loss) income	\$(133.8)	\$ (4.3 )	\$ 19.5	\$ (40.6 )	\$ 28.9	\$(130.3 )
Less: comprehensive income attributable to noncontrolling interests	—	—	—	3.5	—	3.5
Comprehensive (loss) income attributable to Diebold Nixdorf, Incorporated	\$(133.8)	\$ (4.3 )	\$ 19.5	\$ (44.1 )	\$ 28.9	\$(133.8 )

Table of Contents

## DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

## Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)

Three Months Ended March 31, 2018

	Parent	Domestic Guarantor Subsidiaries	Foreign Guarantor Subsidiary	Non- Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	\$252.5	\$ 0.2	\$ —	\$ 864.6	\$ (53.1 )	\$ 1,064.2
Cost of sales	208.9	0.4	—	658.4	(41.9 )	825.8
Gross profit (loss)	43.6	(0.2 )	—	206.2	(11.2 )	238.4
Selling and administrative expense	75.7	1.2	0.2	150.8	—	227.9
Research, development and engineering expense	0.7	11.3	—	35.3	(5.6 )	41.7
Gain on sale of assets, net	(4.4 )	—	—	(3.3 )	—	(7.7 )
	72.0	12.5	0.2	182.8	(5.6 )	261.9
Operating (loss) income	(28.4 )	(12.7 )	(0.2 )	23.4	(5.6 )	(23.5 )
Other income (expense)						
Interest income	0.2	—	—	3.3	—	3.5
Interest expense	(24.8 )	—	—	(1.2 )	—	(26.0 )
Foreign exchange (loss) gain, net	(3.0 )	—	—	1.6	—	(1.4 )
Miscellaneous, net	(1.3 )	1.5	(0.9 )	0.6	—	(0.1 )
Loss before taxes	(57.3 )	(11.2 )	(1.1 )	27.7	(5.6 )	(47.5 )
Income tax expense	(28.6 )	(20.6 )	1.9	66.5	—	19.2
Equity in earnings of subsidiaries	(44.5 )	—	8.7	1.1	35.8	1.1
Net (loss) income	(73.2 )	9.4	5.7	(37.7 )	30.2	(65.6 )
Net income attributable to noncontrolling interests	—	—	—	7.6	—	7.6
Net (loss) income attributable to Diebold Nixdorf, Incorporated	\$(73.2 )	\$ 9.4	\$ 5.7	\$ (45.3 )	\$ 30.2	\$(73.2 )
Comprehensive (loss) income	\$(82.4 )	\$ 9.4	\$ 5.7	\$ (7.6 )	\$ 0.1	\$(74.8 )
Less: comprehensive income attributable to noncontrolling interests	—	—	—	7.6	—	7.6
Comprehensive (loss) income attributable to Diebold Nixdorf, Incorporated	\$(82.4 )	\$ 9.4	\$ 5.7	\$ (15.2 )	\$ 0.1	\$(82.4 )

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

## Condensed Consolidating Statement of Cash Flows

Three Months Ended March 31, 2019

	Parent	Domestic Guarantor Subsidiaries	Foreign Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash provided (used) by operating activities	\$ 15.3	\$ (12.5 )	\$ —	— \$ (59.9 )	\$ —	\$ (57.1 )
Cash flow from investing activities						
Capital expenditures	(1.1 )	—	—	(13.6 )	—	(14.7 )
Proceeds from maturities of investments	2.0	—	—	50.7	—	52.7
Payments for purchases of investments	—	—	—	(48.3 )	—	(48.3 )
Proceeds from sale of assets	—	—	—	4.2	—	4.2
Increase in certain other assets	(1.6 )	—	—	(3.8 )	—	(5.4 )
Capital contributions and loans paid	(16.5 )	—	—	—	16.5	—
Proceeds from intercompany loans	6.4	—	—	—	(6.4 )	—
Net cash provided (used) by investing activities	(10.8 )	—	—	(10.8 )	10.1	(11.5 )
Cash flow from financing activities						
Revolving credit facility (repayments) borrowings, net	—	—	—	10.0	—	10.0
Other debt borrowings	—	—	—	5.0	—	5.0
Other debt repayments	(6.6 )	—	—	(10.2 )	—	(16.8 )
Distributions and payments to noncontrolling interest holders	—	—	—	(11.0 )	—	(11.0 )
Repurchase of common shares	(1.1 )	—	—	—	—	(1.1 )
Capital contributions received and loans incurred	—	16.1	—	0.4	(16.5 )	—
Payments on intercompany loans	—	(3.3 )	—	(3.1 )	6.4	—
Net cash provided (used) by financing activities	(7.7 )	12.8	—	(8.9 )	(10.1 )	(13.9 )
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(0.5 )	—	(0.5 )
Increase (decrease) in cash, cash equivalents and restricted cash	(3.2 )	0.3	—	(80.1 )	—	(83.0 )
Add: Cash included in assets held for sale at beginning of period	—	—	—	7.3	—	7.3
Less: Cash included in assets held for sale at end of period	—	—	—	4.8	—	4.8
Cash, cash equivalents and restricted cash at the beginning of the period	17.3	2.7	—	438.4	—	458.4
Cash, cash equivalents and restricted cash at the end of the period	\$ 14.1	\$ 3.0	\$ —	— \$ 360.8	\$ —	\$ 377.9



Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(in millions, except per share amounts)

## Condensed Consolidating Statement of Cash Flows

Three Months Ended March 31, 2018

	Parent	Domestic Guarantor Subsidiaries	Foreign Guarantor Subsidiary	Non- Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash used by operating activities	\$(31.8)	\$ (3.0 )	\$ (0.2 )	\$(107.3 )	\$ —	\$ (142.3 )
Cash flow from investing activities						
Capital expenditures	(2.3 )	(0.1 )	—	(17.8 )	—	(20.2 )
Payments for acquisitions	—	—	—	(5.8 )	—	(5.8 )
Proceeds from maturities of investments	1.0	—	—	103.6	—	104.6
Payments for purchases of investments	—	—	—	(45.5 )	—	(45.5 )
Proceeds from sale of assets	8.6	—	—	0.6	—	9.2
Increase in certain other assets	(2.5 )	0.8	—	(7.4 )	—	(9.1 )
Capital contributions and loans paid	(12.1 )	—	—	—	12.1	—
Proceeds from intercompany loans	9.3	—	—	—	(9.3 )	—
Net cash provided by investing activities	2.0	0.7	—	27.7	2.8	33.2
Cash flow from financing activities						
Dividends paid	(7.7 )	—	—	—	—	(7.7 )
Revolving credit facility (repayments) borrowings, net	—	—	—	(75.0 )	—	(75.0 )
Other debt borrowings	—	—	—	26.0	—	26.0
Other debt repayments	(11.3 )	(0.1 )	—	(20.3 )	—	(31.7 )
Distributions and payments to noncontrolling interest holders	—	—	—	(0.5 )	—	(0.5 )
Repurchase of common shares	(2.5 )	—	—	—	—	(2.5 )
Capital contributions received and loans incurred	—	12.1	—	—	(12.1 )	—
Payments on intercompany loans	—	(9.3 )	—	—	9.3	—
Net cash provided (used) by financing activities	(21.5 )	2.7	—	(69.8 )	(2.8 )	(91.4 )
Effect of exchange rate changes on cash and cash equivalents	—	—	—	21.5	—	21.5
Increase (decrease) in cash, cash equivalents and restricted cash	(51.3 )	0.4	(0.2 )	(127.9 )	—	(179.0 )
Cash, cash equivalents and restricted cash at the beginning of the period	58.5	2.3	0.2	482.2	—	543.2
Cash, cash equivalents and restricted cash at the end of the period	\$7.2	\$ 2.7	\$ —	\$ 354.3	\$ —	\$ 364.2

## Table of Contents

Management's Discussion and Analysis of  
Financial Condition and Results of Operations as of March 31, 2019  
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES  
(unaudited)  
(in millions, except per share amounts)

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

#### Significant Highlights

During the first quarter of 2019, Diebold Nixdorf:

- Elected four new independent members to the Company's Board of Directors, continuing to refresh the Board to align with the Company's strategy and opportunities
- Executed a five-year agreement valued at more than \$60 with one of the world's largest fuel and convenience retailers to deploy a new, centralized card acceptance platform. The contract includes software licenses, professional and maintenance services for stores in 10 European markets
- Agreed to an \$18 contract with a French retailers' supermarket cooperative for 600 self-checkout (SCO) systems and a four-year services contract
- Won Windows 10 ATM product upgrades with several financial institutions, including an agreement with KeyBank to digitally transform more than 1,400 self-service devices with DN Vynamic™ software
- Expanded a partnership with a major Belgian bank to upgrade more than 2,400 devices and cash recyclers to Windows 10, leveraging DN AllConnect Services<sup>SM</sup> and the DN Vynamic software suite
- Renewed two multi-year services contracts, valued at more than \$90, with a top-three financial institution in the U.S. and a top-tier bank in Western Europe
- Secured a systems and services agreement with Halkbank in Turkey, including 250 cash recyclers, to expand its ATM fleet and improve the customer experience
- Awarded a project with Bank Pekao in Poland valued at more than \$4, which includes nearly 230 cash recyclers

#### Overview

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

#### Introduction

The Company is a world leader in enabling Connected Commerce. The Company automates, digitizes and transforms the way people bank and shop. The Company's integrated solutions connect digital and physical channels conveniently, securely and efficiently for millions of consumers every day. As an innovation partner for nearly all of the world's top 100 financial institutions and a majority of the top 25 global retailers, the Company delivers unparalleled services and technology that power the daily operations and consumer experience of banks and retailers around the world. The Company has a presence in more than 100 countries with approximately 23,000 employees worldwide.

#### Strategy

The Company seeks to continually enhance the consumer experience at bank and retail locations while simultaneously streamlining cost structures and business processes through the smart integration of hardware, software and services. The Company partners with other leading technology companies and regularly refines its research and development (R&D) spend to advance its portfolio strategy and product road maps.

DN Now Transformation Activities

Commensurate with its strategy, the Company has evolved its multi-year transformation program called DN Now to relentlessly focus on its customers and improve operational excellence. Key activities underway include:

- Transitioning to a streamlined and customer-centric operating model
  - Implementing a services modernization plan which focuses on upgrading certain customer touchpoints, automating incident reporting and response, and standardizing service offerings and internal processes
- Streamlining the product range of ATMs and manufacturing footprint
- Improving working capital management through greater focus and efficiency of payables, receivables and inventory
  - Reducing administrative expenses, including finance, IT and real estate
- Increasing sales productivity through improved solution selling, coverage and compensation arrangements
- Standardizing back-office processes to automate reporting and better manage risks
- Optimizing the portfolio of businesses to improve overall profitability

Table of Contents

Management's Discussion and Analysis of  
Financial Condition and Results of Operations as of March 31, 2019  
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES  
(unaudited)  
(in millions, except per share amounts)

These work streams are designed to improve the Company's profitability and net leverage while establishing a foundation for future growth. The gross annualized savings target for DN Now is approximately \$400 through 2021, of which \$160 is anticipated to be realized during 2019. In order to achieve these savings, the Company has and will continue to restructure the workforce, integrate and optimize systems and processes, transition workloads to lower cost locations and consolidate real estate holdings. By executing on these and other operational improvement activities, the Company expects to increase customer intimacy and satisfaction, while providing career enrichment opportunities for employees and enhancing value for shareholders.

Segments

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

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

Banking

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

For banking clients, services represents the largest operational component of the Company. Diebold Nixdorf AllConnect Services was launched in 2018 to power the business operations of financial institutions of all sizes. This as-a-service offering provides financial institutions with the capabilities and technology needed to make physical distribution channels as agile, integrated, efficient and differentiated as their digital counterparts by leveraging a data-driven Internet of Things (IoT) infrastructure. The Company's product-related services resolve incidents through remote service capabilities or an on-site visit. The portfolio includes first and second line maintenance, preventive maintenance, "on-demand" and total implementation services.

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

From a product perspective, the banking portfolio consists of cash recyclers and dispensers, intelligent deposit terminals, teller automation and kiosk technologies, as well as physical security solutions. The Company assists financial institutions to increase the functionality, availability and security within their ATM fleet.

The Company's software encompasses front-end applications for consumer connection points as well as back-end platforms which manage channel transactions, operations and integration. These hardware-agnostic software

applications facilitate millions of transactions via ATMs, kiosks, and other self-service devices, as well as via online and mobile digital channels.

In 2017, the Company introduced DN Vynamic™ Software, the first end-to-end Connected Commerce software portfolio in the banking marketplace designed to simplify and enhance the consumer experience. In addition, DN Vynamic suite's open application program interface (API) architecture is built to simplify operations by eliminating the traditional focus on internal silos and enabling tomorrow's inter-connected partnerships between financial institutions and payment providers. In addition, with a shared analytic and transaction engine, the DN Vynamic platform can generate new insights to enhance operations across any channel - putting consumer preferences, not the technology, at the heart of the experience.

## Table of Contents

Management's Discussion and Analysis of  
Financial Condition and Results of Operations as of March 31, 2019  
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES  
(unaudited)  
(in millions, except per share amounts)

An important enabler of the Company's software offerings is the professional service employees who provide systems integration, customization, project management and consulting. The Company's advisory services team collaborates with customers to refine the end-user experience, improve business processes, refine existing staffing models and deploy technology to automate both branches and stores.

### Retail

The Company's comprehensive portfolio of retail solutions, software and services improves the checkout process for retailers while enhancing shopping experiences for consumers.

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

Diebold Nixdorf AllConnect Services for retailers include maintenance and availability services to continuously improve retail self-service fleet availability and performance. These include: total implementation services to support both current and new store concepts; managed mobility services to centralize asset management and ensure effective, tailored mobile capability; monitoring and advanced analytics providing operational insights to support new growth opportunities; and store life-cycle management to proactively monitor store IT endpoints and enable improved management of internal and external suppliers and delivery organizations.

Service personnel supervise store openings, renewals and transformation projects, with attention to local details and customers' global IT infrastructure.

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

### Business Drivers

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

- Demand for services on distributed IT assets such as ATMs, POS and SCO, including managed services and professional services;
- Timing of system upgrades and/or replacement cycles for ATMs, POS and SCO;
- Demand for software products and professional services;
- Demand for security products and services for the financial, retail and commercial sectors;

• Demand for innovative technology in connection with the Company's Connected Commerce strategy;  
• Integration of sales force, business processes, procurement, and internal IT systems; and  
• Realization of cost reductions, which leverage the Company's global scale, reduce overlap and improve operating efficiencies.

Table of Contents

Management's Discussion and Analysis of  
 Financial Condition and Results of Operations as of March 31, 2019  
 DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES  
 (unaudited)  
 (in millions, except per share amounts)

## Results of Operations

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

## Net Sales

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

	Three Months Ended		% Change	% Change in CC <sup>(1)</sup>	Percent of Total Net Sales for the Three Months Ended		
	March 31, 2019	March 31, 2018			March 31, 2019	March 31, 2018	
<b>Segments</b>							
<b>Eurasia Banking</b>							
Services	\$247.0	\$279.2	(11.5 )	(4.0 )	24.0	26.2	
Products	135.6	155.9	(13.0 )	(4.6 )	13.2	14.7	
Total Eurasia Banking	382.6	435.1	(12.1 )	(4.2 )	37.2	40.9	
<b>Americas Banking</b>							
Services	240.8	251.2	(4.1 )	(2.7 )	23.4	23.6	
Products	121.9	82.5	47.8	51.6	11.9	7.8	
Total Americas Banking	362.7	333.7	8.7	10.6	35.3	31.4	
<b>Retail</b>							
Services	140.9	159.9	(11.9 )	(4.0 )	13.7	15.0	
Products	141.9	135.5	4.7	13.8	13.8	12.7	
Total Retail	282.8	295.4	(4.3 )	4.2	27.5	27.7	
Total net sales	\$1,028.1	\$1,064.2	(3.4 )	3.0	100.0	100.0	

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

Three months ended March 31, 2019 compared with three months ended March 31, 2018

Net sales decreased \$36.1 or 3.4 percent percent including a net unfavorable currency impact of \$65.6 primarily related to the euro and Brazil real, resulting in a constant currency increase of \$29.5. The following results include the impact of foreign currency:

## Segments

Eurasia Banking net sales decreased \$52.5 including a net unfavorable currency impact of \$35.7 related primarily to the euro. Excluding currency, net sales decreased \$16.8 as services revenue decreased primarily from a maintenance contract roll off with a particular customer in India as well as lower products volume in various Asia Pacific countries, most notably in Taiwan from prior-year non-recurring project volume. Additionally, software revenue decreased slightly due to the divestiture of a non-core business as well as lower professional services activity in Germany. These decreases were partially offset by increased unit replacements in Germany related to Windows 10 upgrades.

Americas Banking net sales increased \$29.0 including a net unfavorable currency impact of \$5.9 related to the Brazil real. Excluding currency, net sales increased \$34.9 primarily due to increased installation volume in Canada and the U.S. as well as improved supply chain management in North America. Increased products volume in the Latin America distributor business, Chile and Ecuador drove higher revenue as well as software license volume in Brazil. Partially offsetting these increases, services revenue declined from lower billed work activity and maintenance contract volume in the U.S.

Table of Contents

Management's Discussion and Analysis of  
 Financial Condition and Results of Operations as of March 31, 2019  
 DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES  
 (unaudited)  
 (in millions, except per share amounts)

Retail net sales decreased \$12.6 including a net unfavorable currency impact of \$24.0 mostly related to the euro. Excluding currency, net sales increased \$11.4 primarily from large POS system roll outs in Germany and the United Kingdom (U.K.) in addition to increased kiosk volume in North America, partially offset by lower software and service volume across the EMEA region.

## Gross Profit

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

	Three Months Ended		
	March 31,		
	2019	2018	% Change
Gross profit - services	\$155.2	\$167.3	(7.2 )
Gross profit - products	88.9	71.1	25.0
Total gross profit	\$244.1	\$238.4	2.4
Gross margin - services	24.7	% 24.2	%
Gross margin - products	22.3	% 19.0	%
Total gross margin	23.7	% 22.4	%

Services gross margin increased 0.5 percent in the three months ended March 31, 2019, favorably impacted by lower restructuring charges of \$0.5 and lower non-routine charges of \$2.2 primarily related to a gain on a spare parts inventory provision in 2019 and integration costs in 2018. Excluding restructuring and non-routine charges, services gross margin was relatively flat as services margin increases in the Eurasia banking segment related to the favorable impact of the services modernization initiatives and favorable customer mix were offset by higher software cost in both the Americas banking and retail segments.

Product gross margin increased 3.3 percent in the three months ended March 31, 2019, favorably impacted by lower restructuring charges of \$0.6 and lower non-routine charges of \$4.6 primarily related to lower purchase accounting adjustments of amortization and gain on a product inventory provision, partially offset by the reversal of the Brazil indirect tax in the prior year. Excluding the impact of restructuring and non-routine charges, products gross margin increased 1.9 percent due primarily to higher volume and a more favorable solution mix in North America. Additionally, product gross margin improved from a favorable banking customer mix in Eurasia and Latin America, partially offset by increased software cost throughout the segments.

## Operating Expenses

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

	Three Months Ended		
	March 31,		
	2019	2018	% Change
Selling and administrative expense	\$228.3	\$227.9	0.2
Research, development and engineering expense	36.9	41.7	(11.5 )

Edgar Filing: DIEBOLD NIXDORF, Inc - Form 10-Q

Loss (gain) on sale of assets, net	3.4	(7.7	)	N/M
Total operating expenses	\$268.6	\$261.9	2.6	

Percent of net sales	26.1	%	24.6	%
----------------------	------	---	------	---

N/M = Not Meaningful

Selling and administrative expense in the three months ended March 31, 2019 increased \$0.4 including higher incremental restructuring of \$0.9 and non-routine charges of \$6.1. Excluding the impact of restructuring, non-routine charges and a net favorable currency impact of \$8.9, mostly related to the euro, selling and administrative expense increased \$2.3, primarily from higher

Table of Contents

Management's Discussion and Analysis of  
 Financial Condition and Results of Operations as of March 31, 2019  
 DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES  
 (unaudited)  
 (in millions, except per share amounts)

expense related to the mark-to-market adjustment of the legacy Wincor Nixdorf stock option program of \$6.4 in addition to higher U.S. based associate related expense. These increases are mostly offset by cost reduction initiatives and restructuring programs across the segments tied to the DN Now program.

Non-routine cost in selling and administrative expense was \$44.5 in the three months ended March 31, 2019, an increase of \$6.1 compared to the prior year. Higher non-routine cost consisted of increased legal and consulting expense of \$20.5 inclusive of \$5.6 related to the squeeze out real estate tax, and \$3.0 related to a one-time non-cash accounts receivable discount in Brazil. These increases were partially offset by lower integration expense of \$14.6 and purchase accounting adjustments of \$2.6. Selling and administrative expense included restructuring charges of \$2.2, or \$0.9 higher than the prior year, related to the workforce alignment under the DN Now plan.

Research, development and engineering expense in the three months ended March 31, 2019 decreased \$4.8 including a net favorable currency impact of \$2.3, primarily related to the euro. Excluding the impact of currency, Research, development and engineering expense decreased \$2.5 due primarily from streamlining ATM portfolio as well as lower headcount tied to the Company's DN Now restructuring program, partially offset by increased software development cost.

Loss of \$3.4 on sale of assets recorded in the three months ended March 31, 2019 includes the loss on divestitures of the Venezuela business of \$4.1 and a Eurasia non-core business of \$2.8, partially offset by a gain on the liquidation of a separate Eurasia non-core business of \$3.5. The gain of \$7.7 in the prior year was primarily related to the sale of a building in North America of \$4.5 and the liquidation of the Barbados operating entity of \$3.3.

Operating expense as a percent of net sales in the three months ended March 31, 2019 increased 1.5 percent to 26.1 percent compared to the same period in 2018 due in part to gains on sale of a building in North America and the impact of divestitures as well as lower net sales, partially offset by lower hardware development expense.

## Operating Loss

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

	Three Months Ended		
	March 31,		
	2019	2018	% Change
Operating loss	\$(24.5)	\$(23.5)	(4.3 )
Operating margin	(2.4 )%	(2.2 )%	

The operating loss increased in the three months ended March 31, 2019 compared to the same period in 2018 including an unfavorable currency impact of \$0.8, related primarily to the euro and higher non-routine charges. Excluding the impact of currency and non-routine charges, operating profit increased \$13.0 primarily related to higher product gross profit in the Americas and Eurasia banking segments from large roll out and upgrade projects.

## Other Income (Expense)

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

Edgar Filing: DIEBOLD NIXDORF, Inc - Form 10-Q

	March 31,		
	2019	2018	% Change
Interest income	\$2.9	\$3.5	(17.1 )
Interest expense	(50.9 )	(26.0 )	(95.8 )
Foreign exchange gain (loss), net	2.8	(1.4 )	N/M
Miscellaneous, net	(1.4 )	(0.1 )	N/M
Other income (expense), net	\$(46.6)	\$(24.0)	(94.2 )

N/M = Not Meaningful

Interest income in the three months ended March 31, 2019 decreased \$0.6 compared with the same period in 2018, primarily as a result of overall lower average investment balances in Brazil. Interest expense increased \$24.9 compared to the same prior-year

Table of Contents

Management's Discussion and Analysis of  
 Financial Condition and Results of Operations as of March 31, 2019  
 DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES  
 (unaudited)  
 (in millions, except per share amounts)

period due to the acquisition of the additional \$650.0 of Term Loan A-1 Facility debt with higher incremental interest rates and related fee amortization. Foreign exchange gain increased \$4.2 primarily as a result of the currency devaluation in Venezuela operating entity in the current year. Miscellaneous net, decreased \$1.3 in the three months ended March 31, 2019, unfavorably impacted by higher costs and lower benefits associated with the company owned life insurance.

## Net Loss

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

	Three Months Ended		
	March 31,		
	2019	2018	% Change
Net loss	\$(131.9)	\$(65.6)	N/M
Percent of net sales	(12.8 )%	(6.2 )%	
Effective tax rate	(85.0 )%	(40.4 )%	

N/M = Not Meaningful

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

The effective tax rate on loss from continuing operations was (85.0) percent for the three months ended March 31, 2019. The expense on the loss is due primarily to the tax impacts of the Tax Act on the estimated projected tax rate. More specifically, the impacts of the GILTI and BEAT. In addition, the Company collapsed its Barbados structure to meet the debt covenant requirements from our lenders during the quarter which resulted in additional discrete tax expense which is being offset in part by the valuation allowance release relating to the Company's nondeductible interest expense resulting in no additional cash taxes. The above items noted as well as the Company's jurisdictional income (loss) mix and varying respective statutory rates are the primary drivers of the quarterly tax rate.

The effective tax rate on the net loss was (40.4) percent for the three months ended March 31, 2018. The expense on the loss is due primarily from impacts related to GILTI on the estimated annual tax rate.

## Segment Net Sales and Operating Profit Summary

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

	Three Months Ended		
	March 31,		
	2019	2018	% Change
Eurasia Banking:			
Net sales	\$382.6	\$435.1	(12.1 )
Segment operating profit	\$33.7	\$19.5	72.8
Segment operating profit margin	8.8	% 4.5	%

Eurasia Banking net sales decreased \$52.5 including a net unfavorable currency impact of \$35.7 related primarily to the euro. Excluding currency, net sales decreased \$16.8 as services revenue decreased primarily from a maintenance

contract roll off with a particular customer in India as well as lower products volume in various Asia Pacific countries, most notably in Taiwan from prior year non-recurring project volume. Additionally, software revenue decreased slightly from a non-core business and in Germany. These decreases were partially offset by increased unit replacements in Germany related to Windows 10 upgrades.

Segment operating profit increased \$14.2 in the three months ended March 31, 2019, including a net unfavorable currency impact of \$4.5, primarily due to the euro. Excluding the impact of currency, operating profit increased \$18.7 due in part to higher gross profit on services and products margin improvements. The favorable services margin was primarily attributable to the services modernization program which benefited numerous countries in Europe and Asia, while products margin also benefited from DN

Table of Contents

Management's Discussion and Analysis of  
 Financial Condition and Results of Operations as of March 31, 2019  
 DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES  
 (unaudited)  
 (in millions, except per share amounts)

Now initiatives as well as higher volume in Germany. Additionally, segment operating profit benefited from lower operating expenses tied to DN Now initiatives, restructuring programs and the phase out of non-profitable service contracts in India.

Segment operating profit margin increased 4.3 percent from lower operating expense, as well as higher services and products gross margin, primarily attributable to DN Now initiatives.

	Three Months Ended		
	March 31,		
Americas Banking:	2019	2018	% Change
Net sales	\$362.7	\$333.7	8.7
Segment operating profit	\$18.5	\$5.0	270.0
Segment operating profit margin	5.1	% 1.5	%

Americas Banking net sales increased \$29.0 including a net unfavorable currency impact of \$5.9 related to the Brazil real. Excluding currency, net sales increased \$34.9 primarily due to increased installation volume in Canada and the U.S. as well as improved supply chain management in North America. Increased products volume in the Latin America distributor business, Chile and Ecuador drove higher revenue as well as software license volume in Brazil. Partially offsetting these increases, services revenue declined from lower billed work activity and maintenance contract volume in the U.S.

Segment operating profit increased \$13.5 mostly from DN Now initiatives favorably impacting both operating expense and gross profit. Additionally, gross profit was favorably impacted by current large product refresh projects in Canada and higher volume in Latin America as well as increased volume in the U.S., as the prior year was unfavorably impacted by supply chain delays. Higher software cost in 2019 partially offset these increases.

Segment operating profit margin increased 3.6 percent, primarily as a result of higher product gross margin, in addition to lower cost related to the DN Now initiatives.

	Three Months Ended		
	March 31,		
Retail:	2019	2018	% Change
Net sales	\$282.8	\$295.4	(4.3 )
Segment operating profit	\$8.1	\$10.2	(20.6 )
Segment operating profit margin	2.9	% 3.5	%

Retail net sales decreased \$12.6 including a net unfavorable currency impact of \$24.0 mostly related to the euro. Excluding currency, net sales increased \$11.4 primarily from large POS system roll outs in Germany and the U.K. in addition to increased kiosk volume in North America, partially offset by lower software and service volume across the EMEA region.

Segment operating profit decreased \$2.1 including a net unfavorable currency impact of \$1.6. Excluding the impact of currency, segment operating profit decreased \$0.5 as lower operating expense tied to DN Now initiatives were more than offset by lower software volume and unfavorable software solutions mix as well as under-performance of the Eurasia non-core business. Additionally, products gross profit was relatively flat from increased volume to an unfavorable solution mix in North America and EMEA.

Segment operating profit margin decreased 0.6 percent as lower operating expense tied to the DN Now initiatives, was more than offset by lower software and product gross margin on an unfavorable solution mix.

Table of Contents

Management's Discussion and Analysis of  
 Financial Condition and Results of Operations as of March 31, 2019  
 DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES  
 (unaudited)  
 (in millions, except per share amounts)

## Liquidity and Capital Resources

The Company's total cash and cash availability as of March 31, 2019 and December 31, 2018 was as follows:

	March 31, December 31,	
	2019	2018
Cash and cash equivalents (excluding restricted cash)	\$ 284.4	\$ 353.1
Additional cash availability from		
Uncommitted lines of credit	32.4	28.0
Revolving Facility	337.5	347.5
Short-term investments	31.5	33.5
Total cash and cash availability	\$ 685.8	\$ 762.1

Capital resources are obtained from income retained in the business, borrowings under the Company's committed and uncommitted credit facilities and operating and capital leasing arrangements. Management expects that the Company's capital resources will be sufficient to finance planned working capital needs, R&D activities, investments in facilities or equipment, pension contributions and any repurchases of the Company's common shares for at least the next 12 months. The Company had \$93.5 and \$105.3 of restricted cash at March 31, 2019 and December 31, 2018, respectively, primarily related to the acquisition of the remaining shares in Diebold Nixdorf AG. As of March 31, 2019, \$298.7 or 94.6 percent of the Company's cash and cash equivalents and short-term investments reside in international tax jurisdictions. Repatriation of certain international funds could be negatively impacted by potential payments for foreign taxes. The Company has approximately \$1,300 of earnings that are available for repatriation with no additional tax expense. The Company estimates it will pay approximately \$60 of cash income taxes in 2019. The Company has made acquisitions in the past and may make acquisitions in the future. Part of the Company's strategy is to optimize the business portfolio through divestitures and complementary acquisitions. The Company intends to finance any future acquisitions with cash and short-term investments, cash provided from operations, borrowings under available credit facilities, proceeds from debt or equity offerings and/or the issuance of common shares.

The following table summarizes the results of the Company's condensed consolidated statement of cash flows for the three months ended March 31:

Summary of cash flows:	2019	2018
Net cash used by operating activities	\$(57.1)	\$(142.3)
Net cash (used) provided by investing activities	(11.5 )	33.2
Net cash used by financing activities	(13.9 )	(91.4 )
Effect of exchange rate changes on cash and cash equivalents	(0.5 )	21.5
Decrease in cash, cash equivalents and restricted cash	\$(83.0)	\$(179.0)

## Operating Activities

Cash flows from operating activities can fluctuate significantly from period to period as working capital needs and the timing of payments for income taxes, restructuring and integration activities, pension funding and other items impact reported cash flows. Net cash used by operating activities was \$57.1 for the three months ended March 31, 2019, a decrease in use of \$85.2 from \$142.3 for the same period in 2018.

Cash flows from operating activities during the three months ended March 31, 2019 compared to the same period in 2018 were impacted by a \$66.3 increase in net loss. Refer to the Results of Operations discussed above for further discussion of the Company's net loss.

The net aggregate of trade receivables, inventories and accounts payable used \$42.3 and \$111.5 in operating cash flows during the three months ended March 31, 2019 and 2018, respectively. Trade receivables cash provided \$33.2 for the three months ended March 31, 2019 compared to an usage of \$17.7 for the same period in the prior-year primarily due to improvement in collections in EMEA. Inventory cash use decreased \$27.1 compared to the same period in the prior year primarily in EMEA and North America related to management's initiative of streamlining the product portfolio and harvesting inventory. Cash used by accounts payable decreased primarily related to reduced spending in the Americas.

Table of Contents

Management's Discussion and Analysis of  
Financial Condition and Results of Operations as of March 31, 2019  
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES  
(unaudited)  
(in millions, except per share amounts)

In the aggregate, the other combined certain assets and liabilities provided \$41.4 for the three months ended March 31, 2019 compared to a use of \$15.8 of operating cash during the same period in 2018. The increase was primarily due to a reduction in prepayments, an increase in deferred revenue cash provided by the collection of customer prepayments, mainly in Brazil and Canada, and lower net value added tax payments as a result of improved refundable utilization.

Depreciation and amortization expense decreased \$6.0 to \$58.4 during the three months ended March 31, 2019 compared to \$64.4 during the same period in 2018 primarily due to a reduction in capital spend. Share-based compensation decreased \$4.4 to \$9.3 for the three months ended March 31, 2019 primarily due to a reduction in shares awarded in 2019.

Investing Activities

The maturities and purchases of investments primarily relate to short-term investment activity in Brazil. The \$44.7 change was primarily due to a reduction in utilization of short-term investments in Brazil for cash needs.

Financing Activities

Net cash used by financing activities was \$13.9 and \$91.4 for the three months ended March 31, 2019 and 2018, respectively, a decrease of \$77.5. The change was primarily due a decrease in net borrowings (repayments) under the Company's revolving facility and the reduction in dividend payments. The decreases in use were partially offset by \$10.5 in higher cash distributions related to the redemption of shares and cash compensation to Diebold Nixdorf AG minority shareholders of \$11.0 for the three months ended March 31, 2019 compared to \$0.5 in the prior-year period.

Refer to note 11 for additional information regarding the Company's debt obligations. As defined by the Company's credit agreement, the ratio of net debt to trailing 12 months adjusted EBITDA was 5.7 times as of March 31, 2019.

Refer to note 17 for additional information regarding the Company's hedging and derivative instruments.

Dividends The Company paid dividends of \$7.7 in the three months ended March 31, 2018. In May 2018, the Company announced its decision to reallocate future dividend funds towards debt reduction and other capital resource needs. As a result, there was no quarterly dividend for the three months ended March 31, 2019. The quarterly dividend was \$0.10 per share for the three months ended March 31, 2018.

Contractual Obligations In the first quarter of 2019, the Company entered into purchase commitments due within one year for materials through contract manufacturing agreements for a total negotiated price. At March 31, 2019, the Company had purchase commitments due within one year totaling \$0.1 for materials through contract manufacturing agreements at negotiated prices.

Except for the items noted above, all contractual cash obligations with initial and remaining terms in excess of one year and contingent liabilities remained generally unchanged at March 31, 2019 compared to December 31, 2018.

Off-Balance Sheet Arrangements The Company enters into various arrangements not recognized in the condensed consolidated balance sheets that have or could have an effect on its financial condition, results of operations, liquidity,

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

Table of Contents

Management's Discussion and Analysis of  
Financial Condition and Results of Operations as of March 31, 2019  
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES  
(unaudited)  
(in millions, except per share amounts)

Critical Accounting Policies and Estimates

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

In addition to the items that the Company disclosed as its critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's annual report on Form 10-K for the year ended December 31, 2018, the company adopted ASU 2016-02 and its subsequent amendments related to lease accounting. The standard requires that a lessee recognize on its balance sheet right-of-use assets and corresponding liabilities resulting from leasing transactions, as well as additional financial statement disclosures. Previously, U.S. GAAP only required balance sheet recognition for leases classified as capital leases. The provisions of this update apply to substantially all leased assets. Subsequent ASUs related to this standard are updates, which prescribe a practical expedient for implementation and narrow-scope improvements for lessors. For more information regarding the implementation of this standard, refer to note 2.

Forward-Looking Statement Disclosure

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

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

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

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

Table of Contents

Management's Discussion and Analysis of  
Financial Condition and Results of Operations as of March 31, 2019  
DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES  
(unaudited)  
(in millions, except per share amounts)

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

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

Item 3: Quantitative and Qualitative Disclosures About Market Risk

Refer to the Company's annual report on Form 10-K for the year ended December 31, 2018 for a discussion of market risk exposures. There have been no material changes in this information since December 31, 2018.

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

(in millions, except share and per share amounts)

Item 4: Controls and Procedures

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

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

Disclosure Controls and Procedures

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

In connection with the preparation of this quarterly report on Form 10-Q, the Company's management, under the supervision and with the participation of the CEO and CFO, conducted an evaluation of disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the CEO and CFO have concluded that such disclosure controls and procedures were not effective as of March 31, 2019 due to the material weaknesses in the Company's internal control over financial reporting as described below.

A material weakness in internal control over financial reporting is a deficiency, or 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. Management identified the following material weaknesses in our internal control over financial reporting as of December 31, 2018 and notes that the material weaknesses were not remediated as of March 31, 2019.

The Company's risk assessment process was not effective in considering changes to the business operations, personnel and other factors affecting certain financial reporting processes and design of related controls on a timely basis. Accordingly,

The Company had ineffective information technology general controls (ITGCs) related to IT systems used for financial reporting by certain entities throughout the organization. The Company did not established effective IT and financial user access controls commensurate with certain job responsibilities. Consequently, automated and manual process level controls over financial reporting which were dependent upon these ITGCs were also ineffective.

The Company had ineffective implementation and operation of controls over inventory valuation related to spare parts and finished goods from canceled orders as the Company did not effectively communicate information to certain locations to allow for the effective operations or implementation of these controls.

•

The Company had ineffective controls over non-routine transactions as certain controls were not designed at the appropriate level of precision to ensure calculations supporting non-routine transactions were calculated correctly.

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

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

(in millions, except share and per share amounts)

The Company is implementing the following remediation plan in order to remediate the three material weaknesses described above:

- Improving our continuous risk assessment process to be responsive to changes in the business operations, personnel and IT developments affecting our financial reporting and related controls;
- Improving our timely written communication of changes in financial reporting and related controls affecting both business and financial users;
- Revoking the access to IT systems of those individuals that were identified as inappropriate;
- Implementing more frequent and improved periodic access reviews that include: all sensitive access and the identification of additional business process owners to be part of the review process and providing the owners with guidance on the key data elements of the review to enhance the precision of the review process;
- Implementing consistent inventory valuation controls at all locations and communicate the requirements for effectively operating such controls to all businesses; and
- Implementing controls over calculations associated with non-routine transactions at a more precise level of operation.

Change in Internal Controls

Other than the material weaknesses described above that occurred in earlier periods of fiscal 2018, there have been no other changes in the Company's internal control over financial reporting during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

## DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

(in millions, except share and per share amounts)

## Part II – Other Information

## Item 1: Legal Proceedings

At March 31, 2019, the Company was a party to several lawsuits that were incurred in the normal course of business, which neither individually nor in the aggregate are considered material by management in relation to the Company's financial position or results of operations. In management's opinion, the Company's condensed consolidated financial statements would not be materially affected by the outcome of these legal proceedings, commitments or asserted claims.

For more information regarding legal proceedings, please refer to Part I, Item 3 of the Company's annual report on Form 10-K for the year ended December 31, 2018. There have been no material developments with respect to the legal proceedings reported in the Company's annual report on Form 10-K for the year ended December 31, 2018.

## Item 1A: Risk Factors

Refer to the Company's annual report on Form 10-K for the year ended December 31, 2018. There has been no material change to this information since December 31, 2018.

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

Information concerning the Company's share repurchases made during the first quarter of 2019:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans <sup>(2)</sup>	Maximum Number of Shares that May Yet Be Purchased Under the Plans <sup>(2)</sup>
January	771	\$ 3.61	—	2,426,177
February	188,775	\$ 5.92	—	2,426,177
March	3,955	\$ 6.06	—	2,426,177
Total	193,501	\$ 5.91	—	

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

The total number of shares repurchased as part of the publicly announced share repurchase plan since its inception was 13,450,772 as of March 31, 2019. The plan was approved by the Board of Directors in 1997. The Company may purchase shares from time to time in open market purchases or privately negotiated transactions. The Company may make all or part of the purchases pursuant to accelerated share repurchases or Rule 10b5-1 plans. The plan has no expiration date. The following table provides a summary of Board of Directors approvals to repurchase the Company's outstanding common shares:

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

20122,000,000  
15,876,949

Item 3: Defaults Upon Senior Securities

None.

Item 4: Mine Safety Disclosures

Not applicable.

50

---

Table of Contents

DIEBOLD NIXDORF, INCORPORATED AND SUBSIDIARIES

FORM 10-Q as of March 31, 2019

(in millions, except share and per share amounts)

Item 5: Other Information

None.

Item 6: 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 Current Report on Form 8-K filed on February 17, 2017 (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 Quarterly Report on 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 Annual Report on Form 10-K for the year ended December 31, 1998 (Commission File No. 1-4879)
- 3.4 Certificate of Amendment to Amended Articles of Incorporation of Diebold Nixdorf, Incorporated – incorporated by reference to Exhibit 3.1(i) to Registrant’s Current Report on Form 8-K filed on December 12, 2016 (Commission File No. 1-4879)
- 3.5 Certificate of Amendment to Amended Articles of Incorporation of Diebold Nixdorf, Incorporated, effective April 26, 2017 – incorporated by reference to Exhibit 3.5 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (Commission File No. 1-4879)
- 10.1 Form of Performance Cash Award Agreement - incorporated by reference to Exhibit 10.1 to Registrant’s Current Report on Form 8-K filed on February 1, 2019 (Commission File No. 1-4879)
- 10.2 Nomination and Standstill Agreement, dated February 22, 2019, by and among the Registrant and the individuals and entities listed on Schedule I thereto - incorporated by reference to Exhibit 10.1 to Registrant’s Current Report on Form 8-K filed on February 25, 2019 (Commission File No. 1-4879)
- 10.3 Diebold Nixdorf, Incorporated 2017 Equity and Performance Incentive Plan, as amended April 25, 2019 - incorporated by reference to Exhibit 10.1 to Registrant’s Current Report on 8-K filed on April 26, 2019 (Commission File No. 1-4879)
- 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 Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

32.2 Certification of Chief 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

51

---

SIGNATURES

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

DIEBOLD NIXDORF, INCORPORATED

Date: April 30, 2019 /s/ Gerrard B. Schmid  
By: Gerrard B. Schmid  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: April 30, 2019 /s/ Jeffrey Rutherford  
By: Jeffrey Rutherford  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)