DIEBOLD INC
Form 10-Q
July 28, 2016

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

Form 10-Q

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x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-4879

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

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

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

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

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

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

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

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

Number of shares of common stock outstanding as of July 25, 2016 was 65,189,266.

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

	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 335.5	$ 313.6
Restricted cash	1,823.0	—
Short-term investments	26.6	39.9
Trade receivables, less allowances for doubtful accounts of $28.5 and $31.7, respectively	520.1	413.9
Inventories	430.8	369.3
Deferred income taxes	116.5	168.8
Prepaid expenses	22.4	23.6
Prepaid income taxes	34.7	18.0
Current assets held for sale	—	148.2
Other current assets	148.6	148.3
Total current assets	3,458.2	1,643.6
Securities and other investments	84.0	85.2
Property, plant and equipment, net of accumulated depreciation and amortization of $447.7 and $433.7, respectively	166.1	175.3
Goodwill	169.2	161.5
Deferred income taxes	60.5	65.3
Finance lease receivables	22.7	36.5
Other assets	79.8	75.0
Total assets	$ 4,040.5	$ 2,242.4
LIABILITIES AND EQUITY		
Current liabilities		
Notes payable	$ 39.0	$ 32.0
Accounts payable	261.1	281.7
Deferred revenue	217.6	229.2
Payroll and other benefits liabilities	77.6	76.5
Current liabilities held for sale	—	49.4
Other current liabilities	322.7	287.0
Total current liabilities	918.0	955.8
Long-term debt	2,274.0	606.2
Pensions and other benefits	194.6	195.6
Post-retirement and other benefits	19.4	18.7
Other long-term liabilities	32.5	30.6
Commitments and contingencies		
Equity		
Diebold, Incorporated shareholders' equity		
Preferred shares, no par value, 1,000,000 authorized shares, none issued	—	—
Common shares, $1.25 par value, 125,000,000 authorized shares,79,961,528 and 79,696,694 issued shares, 65,189,266 and 65,001,602 outstanding shares, respectively	100.0	99.6
Additional capital	440.6	430.8

Retained earnings	869.3	760.3
Treasury shares, at cost (14,772,262 and 14,695,092 shares, respectively)	(562.2)	(560.2)
Accumulated other comprehensive loss	(269.4)	(318.1)
Total Diebold, Incorporated shareholders' equity	578.3	412.4
Noncontrolling interests	23.7	23.1
Total equity	602.0	435.5
Total liabilities and equity	$ 4,040.5	$ 2,242.4

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net sales				
Services	$356.5	$352.9	$693.2	$694.5
Products	223.5	291.6	396.4	524.8
	580.0	644.5	1,089.6	1,219.3
Cost of sales				
Services	235.4	234.3	463.9	464.2
Products	189.5	239.5	331.8	425.1
	424.9	473.8	795.7	889.3
Gross profit	155.1	170.7	293.9	330.0
Selling and administrative expense	127.3	124.9	252.9	245.4
Research, development and engineering expense	17.6	23.9	36.1	46.2
Impairment of assets	—	(0.5)	—	18.9
(Gain) loss on sale of assets, net	(0.1)	(1.6)	0.3	(1.5)
	144.8	146.7	289.3	309.0
Operating profit	10.3	24.0	4.6	21.0
Other (expense) income				
Interest income	6.3	6.8	11.2	14.7
Interest expense	(24.3)	(7.6)	(35.8)	(15.6)
Foreign exchange loss, net	(1.2)	(1.3)	(3.6)	(10.5)
Miscellaneous, net	(26.8)	0.9	7.8	(0.3)
(Loss) income from continuing operations before taxes	(35.7)	22.8	(15.8)	9.3
Income tax (benefit) expense	(14.9)	3.1	(15.7)	(0.3)
(Loss) income from continuing operations, net of tax	(20.8)	19.7	(0.1)	9.6
Income from discontinued operations, net of tax	0.5	4.2	148.3	8.7
Net (loss) income	(20.3)	23.9	148.2	18.3
Net income (loss) attributable to noncontrolling interests	0.8	1.7	1.1	(1.1)
Net (loss) income attributable to Diebold, Incorporated	$(21.1)	$22.2	$147.1	$19.4
Basic weighted-average shares outstanding	65.2	64.9	65.1	64.8
Diluted weighted-average shares outstanding	65.2	65.6	65.7	65.5
Basic (loss) earnings per share				
(Loss) income from continuing operations, net of tax	$(0.33)	$0.28	$(0.02)	$0.17
Income from discontinued operations, net of tax	0.01	0.06	2.28	0.13
Net (loss) income attributable to Diebold, Incorporated	$(0.32)	$0.34	$2.26	$0.30
Diluted (loss) earnings per share				
(Loss) income from continuing operations, net of tax	$(0.33)	$0.28	$(0.02)	$0.17
Income from discontinued operations, net of tax	0.01	0.06	2.26	0.13
Net (loss) income attributable to Diebold, Incorporated	$(0.32)	$0.34	$2.24	$0.30

Amounts attributable to Diebold, Incorporated				
(Loss) income before discontinued operations, net of tax	$(21.6)	$18.0	$(1.2)	$10.7
Income from discontinued operations, net of tax	0.5	4.2	148.3	8.7
Net (loss) income attributable to Diebold, Incorporated	$(21.1)	$22.2	$147.1	$19.4
Common dividends declared and paid per share	$0.2875	$0.2875	$0.5750	$0.5750

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net (loss) income	$(20.3)	$23.9	$148.2	$18.3
Other comprehensive income (loss), net of tax				
Translation adjustment	21.0	6.3	53.8	(62.1)
Foreign currency hedges (net of tax $2.1, $0.5, $4.0 and $(1.8), respectively)	(3.9)	(1.0)	(7.5)	3.3
Interest rate hedges				
Net gain recognized in other comprehensive income (net of tax $(0.1) and $(0.2) for the three and six months ended June 30, 2015, respectively)	—	0.1	—	0.3
Reclassification adjustment for amounts recognized in net income	—	—	(0.1)	(0.1)
	—	0.1	(0.1)	0.2
Pension and other post-retirement benefits				
Net actuarial loss amortization (net of tax $(0.5), $(0.6), $(1.0) and $(1.2), respectively)	1.0	1.2	1.9	2.3
Net prior service benefit amortization, net of tax	—	(0.1)	—	(0.1)
	1.0	1.1	1.9	2.2
Other comprehensive income (loss), net of tax	18.1	6.5	48.1	(56.4)
Comprehensive (loss) income	(2.2)	30.4	196.3	(38.1)
Less: comprehensive income (loss) attributable to noncontrolling interests	0.2	1.8	0.6	(0.8)
Comprehensive (loss) income attributable to Diebold, Incorporated	$(2.4)	$28.6	$195.7	$(37.3)

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2016	2015
Cash flow from operating activities		
Net income	$148.2	$18.3
Income from discontinued operations, net of tax	148.3	8.7
(Loss) income from continuing operations, net of tax	(0.1)	9.6
Adjustments to reconcile net (loss) income to cash flow used by operating activities:		
Depreciation and amortization	30.9	32.9
Share-based compensation	10.1	9.1
Excess tax benefits from share-based compensation	(0.2)	(0.2)
Devaluation of Venezuela balance sheet	—	7.5
Loss (gain) on sale of assets, net	0.3	(1.5)
Impairment of assets	—	18.9
Gain on foreign currency option and forward contracts, net	(12.9)	—
Changes in certain assets and liabilities, net of the effects of acquisition		
Trade receivables	(94.4)	(127.8)
Inventories	(46.4)	(41.2)
Prepaid income taxes	(16.7)	(14.3)
Other current assets	(18.1)	(21.1)
Accounts payable	(26.6)	37.6
Deferred revenue	(13.0)	(15.8)
Deferred income taxes	6.0	4.4
Certain other assets and liabilities	(18.9)	2.5
Net cash used by operating activities - continuing operations	(200.0)	(99.4)
Net cash (used) provided by operating activities - discontinued operations	(6.2)	0.3
Net cash used by operating activities	(206.2)	(99.1)
Cash flow from investing activities		
Payments for acquisition, net of cash acquired	—	(59.4)
Proceeds from maturities of investments	107.1	72.7
Proceeds from sale of foreign currency option contract	42.6	—
Payments for purchases of investments	(85.9)	(74.0)
Proceeds from sale of assets	0.4	5.5
Capital expenditures	(11.3)	(24.7)
Restricted cash, net	(1,768.1)	—
Increase in certain other assets	(9.3)	(2.6)
Net cash used by investing activities - continuing operations	(1,724.5)	(82.5)
Net cash provided (used) by investing activities - discontinued operations	365.1	(0.7)
Net cash used by investing activities	(1,359.4)	(83.2)
Cash flow from financing activities		
Dividends paid	(38.0)	(37.8)
Debt issuance costs	(11.2)	(0.7)
Restricted cash, net	(54.9)	—
Revolving credit facility borrowings (repayments), net	142.0	(68.0)

Other debt borrowings	1,807.0	271.2
Other debt repayments	(256.2)	(42.3)
Distributions to noncontrolling interest holders	(2.0)	—
Excess tax benefits from share-based compensation	0.2	0.2
Issuance of common shares	—	2.8
Repurchase of common shares	(2.0)	(2.8)
Net cash provided by financing activities	1,584.9	122.6
Effect of exchange rate changes on cash and cash equivalents	4.1	(17.8)
Increase (decrease) in cash and cash equivalents	23.4	(77.5)
Add: Cash overdraft included in assets held for sale at beginning of period	(1.5)	(4.1)
Less: Cash overdraft included in assets held for sale at end of period	—	(4.4)
Cash and cash equivalents at the beginning of the period	313.6	326.1
Cash and cash equivalents at the end of the period	$335.5	$248.9

See accompanying notes to condensed consolidated financial statements.

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DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q as of June 30, 2016
Notes to Condensed Consolidated Financial Statements
(unaudited)
(in millions, except per share amounts)

Note 1: Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements of Diebold, 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, 2015. 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 six months ended June 30, 2016 are not necessarily indicative of results to be expected for the full year.

The Company has reclassified the presentation of certain prior-year information to conform to the current presentation disclosed in the notes included elsewhere in this quarterly report on Form 10-Q.

Recently Adopted Accounting Guidance

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-03, Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Additionally, in August 2015, the FASB issued ASU 2015-15, Interest-Imputation of Interest: Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (ASU 2015-15). The standards became effective for the Company on January 1, 2016. The adoption of ASU 2015-03 and ASU 2015-15 resulted in $28.3 of debt issuance costs included in long-term debt as of June 30, 2016 and a reclassification of $6.9 from other assets to long-term debt as of December 31, 2015.

In May 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share or Its Equivalent (ASU 2015-07). The amendment in this update removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The standard became effective for the Company on January 1, 2016. The adoption of ASU 2015-07 did not have a material impact on the financial statements of the Company.

In July 2015, the FASB issued ASU 2015-12, Plan Accounting: Defined Benefit Plan (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient (ASU 2015-12), which is a three-part update with the objective of simplifying benefit plan reporting to make the information presented more useful to the reader. Part I designates contract value as the only required measure for fully benefit-responsive investment contracts (FBRIC). A FBRIC is a guaranteed investment contract between the plan and an issuer in which the issuer agrees to pay a predetermined interest rate and principal for a set amount deposited with the issuer. Part II simplifies the investment disclosure requirements for employee benefits plans. Part III provides an alternative measurement date for fiscal periods that do not coincide with a month-end date. This guidance is effective for fiscal years beginning after December 15, 2015. The amendments in Parts I and II of this standard are effective retrospectively. The standard became effective for the Company on January 1, 2016. The adoption of ASU 2015-12 did not have a material impact on the financial statements of the Company.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments (ASU 2015-16). The amendment in this update requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this update require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date and presented separately on the face of the income statement or disclosed in the notes by line item. The standard became effective for the Company on January 1, 2016. The adoption of ASU 2015-16 did not have a material impact on the financial statements of the Company.

Recently Issued Accounting Guidance

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard is effective for the Company on January 1, 2018. Early application is permitted on the original adoption date of January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes (ASU 2015-17). This amendment requires the presentation of deferred tax assets and liabilities to be categorized as noncurrent on the balance sheet, instead of being classified as current or noncurrent. ASU 2015-17 is effective for the Company on January 1, 2017, with early adoption permitted. The adoption of ASU 2015-17 is not expected to have a material impact on the financial statements of the Company.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01). This amendment requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. This amendment simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. It eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. This amendment requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. Additionally, the update requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments and requires an entity to separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. ASU 2016-01 is effective for the Company on January 1, 2018, including interim periods, with early adoption permitted on a limited basis. The adoption of ASU 2016-01 is not expected to have a material impact on the financial statements of the Company.

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

In March 2016, the FASB issued ASU 2016-05, Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (ASU 2016-05). The FASB issued the update to clarify the effect on an existing hedging relationship, if any, of a change in the counterparty to a derivative instrument that has been designated as a hedging instrument. The ASU clarifies the steps required to determine bifurcation of an embedded derivative. ASU 2016-05 will be effective for the Company on January 1, 2017, including interim periods. Early adoption is permitted. The adoption of ASU 2016-05 is not expected to have a material impact on the financial statements of the Company.

In March 2016, the FASB issued ASU 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments (ASU 2016-06). The FASB issued the update to clarify the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. The standard will be effective for the Company on January 1, 2017, including interim periods. ASU 2016-06 requires a modified retrospective basis to existing debt instruments as of the beginning of the fiscal year for which the amendments are effective. Early adoption is permitted. The adoption of ASU 2016-06 is not expected to have a material impact on the financial statements of the Company.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (ASU 2016-08). The FASB issued the amendment to clarify the implementation guidance on principal versus agent considerations. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements of ASU 2014-09. The Company is evaluating the effect that ASU 2016-08 will have on its financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (ASU 2016-09). The FASB issued the amendment to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some of the areas for simplification apply only to nonpublic entities. ASU 2016-09 is effective for the Company for annual periods beginning after December 15, 2016, with early adoption permitted. The adoption of ASU 2016-09 is not expected to have a material impact on the financial statements of the Company.

In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing (ASU 2016-10). The FASB issued the amendment to clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements of ASU 2014-09. The Company is evaluating the effect that ASU 2016-10 will have on its financial statements and related disclosures.

In May 2016, the FASB issued ASU 2016-11, Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting (ASU 2016-11). The FASB issued the amendment to rescind the following aspects of Topic 606. Specifically, registrants should not rely on the following SEC Staff Observer comments upon adoption of Topic 606: Revenue and Expense Recognition for Freight Services in Process, which is codified in paragraph 605-20-S99-2; Accounting for Shipping and Handling Fees and Costs, which is codified in paragraph 605-45-S99-1; Accounting for Consideration Given by a Vendor to a Customer (including Reseller of the Vendor’s Products), which is codified in paragraph 605-50-S99-1; Accounting for Gas-Balancing Arrangements (that is, use of the “entitlements method”), which is codified in paragraph 932-10-S99-5. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements of ASU 2014-09. The Company is evaluating the effect that ASU 2016-11 will have on its financial statements and related disclosures.

In May 2016, the FASB issued ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing: Narrow-Scope Improvements and Practical Expedients (ASU 2016-12). The FASB issued the amendment to improve Topic 606 by reducing the potential for diversity in practice at initial application and reducing the cost and complexity of applying Topic 606 both at transition and on an ongoing basis. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements of ASU 2014-09. The Company is evaluating the effect that ASU 2016-12 will have on its financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13). The FASB issued the amendment to require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The updates will be effective for the Company on January 1, 2020. The Company is evaluating the effect that ASU 2016-13 will have on its financial statements and related disclosures.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q as of June 30, 2016
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)
(in millions, except per share amounts)

Note 2: Earnings Per Share

Basic earnings per share is based on the weighted-average number of common shares outstanding. Diluted earnings per share includes the dilutive effect of potential common shares outstanding. Under the two-class method of computing earnings per share, non-vested share-based payment awards that contain rights to receive non-forfeitable dividends are considered participating securities. The Company's participating securities include restricted stock units (RSUs), deferred shares, and shares that were vested, but deferred by the employee. The Company calculated basic and diluted earnings per share under both the treasury stock method and the two-class method. For the six months ended June 30, 2016 and 2015, there was no impact in the per share amounts calculated under the two methods. Accordingly, the treasury stock method is disclosed below.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Numerator				
(Loss) income used in basic and diluted (loss) earnings per share				
(Loss) income from continuing operations, net of tax	$(20.8)	$19.7	$(0.1)	$9.6
Net income (loss) attributable to noncontrolling interests	0.8	1.7	1.1	(1.1)
(Loss) income before discontinued operations, net of tax	(21.6)	18.0	(1.2)	10.7
Income from discontinued operations, net of tax	0.5	4.2	148.3	8.7
Net (loss) income attributable to Diebold, Incorporated	$(21.1)	$22.2	$147.1	$19.4
Denominator				
Weighted-average number of common shares used in basic (loss) earnings per share	65.2	64.9	65.1	64.8
Effect of dilutive shares [(1)]	—	0.7	0.6	0.7
Weighted-average number of shares used in diluted (loss) earnings per share	65.2	65.6	65.7	65.5
Basic (loss) earnings per share				
(Loss) income from continuing operations, net of tax	$(0.33)	$0.28	$(0.02)	$0.17
Income from discontinued operations, net of tax	0.01	0.06	2.28	0.13
Net (loss) income attributable to Diebold, Incorporated	$(0.32)	$0.34	$2.26	$0.30
Diluted (loss) earnings per share				
(Loss) income from continuing operations, net of tax	$(0.33)	$0.28	$(0.02)	$0.17
Income from discontinued operations, net of tax	0.01	0.06	2.26	0.13
Net (loss) income attributable to Diebold, Incorporated	$(0.32)	$0.34	$2.24	$0.30
Anti-dilutive shares				
Anti-dilutive shares not used in calculating diluted weighted-average shares	2.3	1.2	2.2	1.3

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

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q as of June 30, 2016
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)
(in millions, except per share amounts)

Note 3: Equity

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Diebold, Incorporated shareholders' equity				
Balance at beginning of period	$595.6	$449.5	$412.4	$531.6
Comprehensive (loss) income attributable to Diebold, Incorporated	(2.4)	28.6	195.7	(37.3)
Common shares	0.1	0.2	0.4	0.6
Additional capital	4.5	6.4	9.8	11.3
Treasury shares	(0.3)	(0.2)	(2.0)	(2.8)
Dividends paid	(19.2)	(18.9)	(38.0)	(37.8)
Balance at end of period	$578.3	$465.6	$578.3	$465.6
Noncontrolling interests				
Balance at beginning of period	$23.5	$23.3	$23.1	$23.3
Comprehensive income attributable to noncontrolling interests, net [1]	0.2	1.3	0.6	1.3
Balance at end of period	$23.7	$24.6	$23.7	$24.6

(1) Comprehensive income (loss) attributable to noncontrolling interests of $1.8 and $(0.8) for the three and six months ended June 30, 2015, respectively, is net of a $(0.5) and $2.1 Venezuela noncontrolling interest adjustment for the three and six months ended June 30, 2015, respectively, to reduce the carrying value to the estimated fair market value.

Note 4: Accumulated Other Comprehensive Loss

The following table summarizes the changes in the Company’s accumulated other comprehensive (loss) income (AOCI), net of tax, by component for the three months ended June 30, 2016:

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

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

(in millions, except per share amounts)

The following table summarizes the changes in the Company's AOCI, net of tax, by component for the three months ended June 30, 2015:

	Translation	Foreign Currency Hedges	Interest Rate Hedges	Pension and Other Post-retirement Benefits	Other	Accumulated Other Comprehensive (Loss) Income
Balance at March 31, 2015	$ (143.5)	$ 2.9	$ (0.4)	$ (112.9)	$ 0.3	$ (253.6)
Other comprehensive income (loss) before reclassifications [1]	6.2	(1.0)	0.1	—	—	5.3
Amounts reclassified from AOCI	—	—	—	1.1	—	1.1
Net current-period other comprehensive income (loss)	6.2	(1.0)	0.1	1.1	—	6.4
Balance at June 30, 2015	$ (137.3)	$ 1.9	$ (0.3)	$ (111.8)	$ 0.3	$ (247.2)

(1) Other comprehensive income (loss) before reclassifications within the translation component excludes $0.1 of translation attributable to noncontrolling interests.

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

	Translation	Foreign Currency Hedges	Interest Rate Hedges	Pension and Other Post-retirement Benefits	Other	Accumulated Other Comprehensive (Loss) Income
Balance at January 1, 2016	$ (215.6)	$ 5.0	$ (0.1)	$ (107.8)	$ 0.4	$ (318.1)
Other comprehensive income (loss) before reclassifications [1]	54.4	(7.5)	—	—	—	46.9
Amounts reclassified from AOCI	—	—	(0.1)	1.9	—	1.8
Net current-period other comprehensive income (loss)	54.4	(7.5)	(0.1)	1.9	—	48.7
Balance at June 30, 2016	$ (161.2)	$ (2.5)	$ (0.2)	$ (105.9)	$ 0.4	$ (269.4)

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

The following table summarizes the changes in the Company's AOCI, net of tax, by component for the six months ended June 30, 2015: