



# Investment Community Conference Call



Second Quarter Earnings Results

8-6-14

# Use of Non-GAAP Financial Information

Diebold has included non-GAAP financial measures in this presentation to supplement Diebold's condensed consolidated financial statements presented on a GAAP basis. Definitions of these non-GAAP financial measures and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are included elsewhere in this presentation.

Diebold's management uses non-GAAP product, service and total gross margins, non-GAAP operating expense, non-GAAP operating profit, non-GAAP tax rate, non-GAAP net earnings, and non-GAAP diluted earnings per share, and excludes gains, losses or other charges that are considered by Diebold's management to be outside of Diebold's core business segment operating results. Net debt and free cash flow are liquidity measures that provide useful information to management about the amount of cash available for investment in Diebold's businesses, funding strategic acquisitions, repurchasing stock and other purposes.

These non-GAAP financial measures may have limitations as analytical tools, and these measures should not be considered in isolation or as a substitute for analysis of Diebold's results as reported under GAAP. Items such as impairment of goodwill and intangible assets, though not directly affecting Diebold's cash position, represent the loss in value of goodwill and intangible assets over time. The impairment expense associated with this loss in value is not included in non-GAAP operating profit, non-GAAP net earnings, non-GAAP diluted earnings per share and therefore does not reflect the full economic effect of the loss in value of those goodwill and intangible assets. In addition, items such as restructuring charges and non-routine expenses that are excluded from non-GAAP gross profit, non-GAAP operating expense, non-GAAP operating profit, non-GAAP net earnings, and non-GAAP diluted earnings per share can have a material impact on cash flows and earnings per share. In addition, free cash flow does not represent the total increase or decrease in the cash balance for the period. The non-GAAP financial information that we provide also may differ from the non-GAAP information provided by other companies.

We compensate for the limitations on our use of these non-GAAP financial measures by relying primarily on our GAAP financial statements and using non-GAAP financial measures only supplementally. We also provide robust and detailed reconciliations of each non-GAAP financial measure to the most directly comparable GAAP measure, and we encourage investors to review carefully those reconciliations.

We believe that providing these non-GAAP financial measures in addition to the related GAAP measures provides investors with greater transparency to the information used by Diebold's management in its financial and operational decision-making and allows investors to see Diebold's results "through the eyes" of management. We further believe that providing this information better enables investors to understand Diebold's operating performance and to evaluate the efficacy of the methodology and information used by management to evaluate and measure such performance.

# Forward-looking Statements

In this presentation, statements that are not reported financial results or other historical information are “forward-looking statements”. Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. These forward-looking statements relate to, among other things, the company’s future operating performance, the company’s share of new and existing markets, the company’s short- and long-term revenue and earnings growth rates, 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 & other factors that could cause actual results to differ materially from those expressed in or implied by the forward-looking statements include, but are not limited to:

- competitive pressures, including pricing pressures and technological developments;
- changes in the company’s relationships with customers, suppliers, distributors and/or partners in its business ventures;
- changes in political, economic or other factors such as currency exchange rates, inflation rates, recessionary or expansive trends, taxes and regulations and laws affecting the worldwide business in each of the company’s operations, including Brazil, where a significant portion of the company’s revenue is derived;
- global economic conditions, including any additional deterioration and disruption in the financial 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;
- acceptance of the company’s product and technology introductions in the marketplace;
- the finalization of the company’s financial statements for the period(s) discussed in this release;
- 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 could negatively impact foreign and domestic taxes;
- unanticipated litigation, claims or assessments, as well as the outcome/impact of any current/pending litigation, claims or assessments, including with respect to the company’s Brazilian tax dispute;
- variations in consumer demand for financial self-service technologies, products and services;
- potential security violations to the company’s information technology systems;
- the investment performance of our pension plan assets, which could require us to increase our pension contributions, and significant changes in health care costs, including those that may result from government action;
- the amount and timing of repurchases of the company’s common shares, if any;
- the outcome of the company’s assessment of its indirect tax compliance in Brazil; and
- the company’s ability to achieve benefits from its cost-reduction initiatives and other strategic changes, including its multi-year realignment plan and other restructuring actions, as well as its business process outsourcing initiative with Accenture.

# Andy Mattes



President and Chief Executive Officer



**DIEBOLD**<sup>®</sup>



Business Overview

# Agenda

Key Takeaways from Quarter

Q2 Regional Update

Diebold 2.0 Turnaround Strategy Update

Outlook and Conclusion

## Key Takeaways from the Quarter

- Delivered an overall strong performance in the quarter
- Solid revenue growth, highlighted by 40% year-over-year increase in EMEA
- Service gross margins benefitted from the flow-through of cost savings
- Total orders up 7% year-over-year, or 9% constant currency, driven primarily by financial self-service
- Maintaining full-year revenue and earnings guidance as pace of reinvestment will accelerate in the second-half of the year
- Focus remains on four core pillars and executing on our commitments
- Committed to building a solid foundation for future profitable growth

# Q2 Regional Update\*

## North America:

- Total orders increased 7%
- Total FSS orders increased 14%
- Electronic security business continues to grow and continue to increase sales coverage

## EMEA:

- Total orders increased 24% and similarly on constant currency
- Solid growth in Western Europe and Middle East and Africa

## Latin America:

- Total orders increased 10%, driven mainly by Mexico

## Brazil:

- Total orders decreased 29%, or 23% constant currency

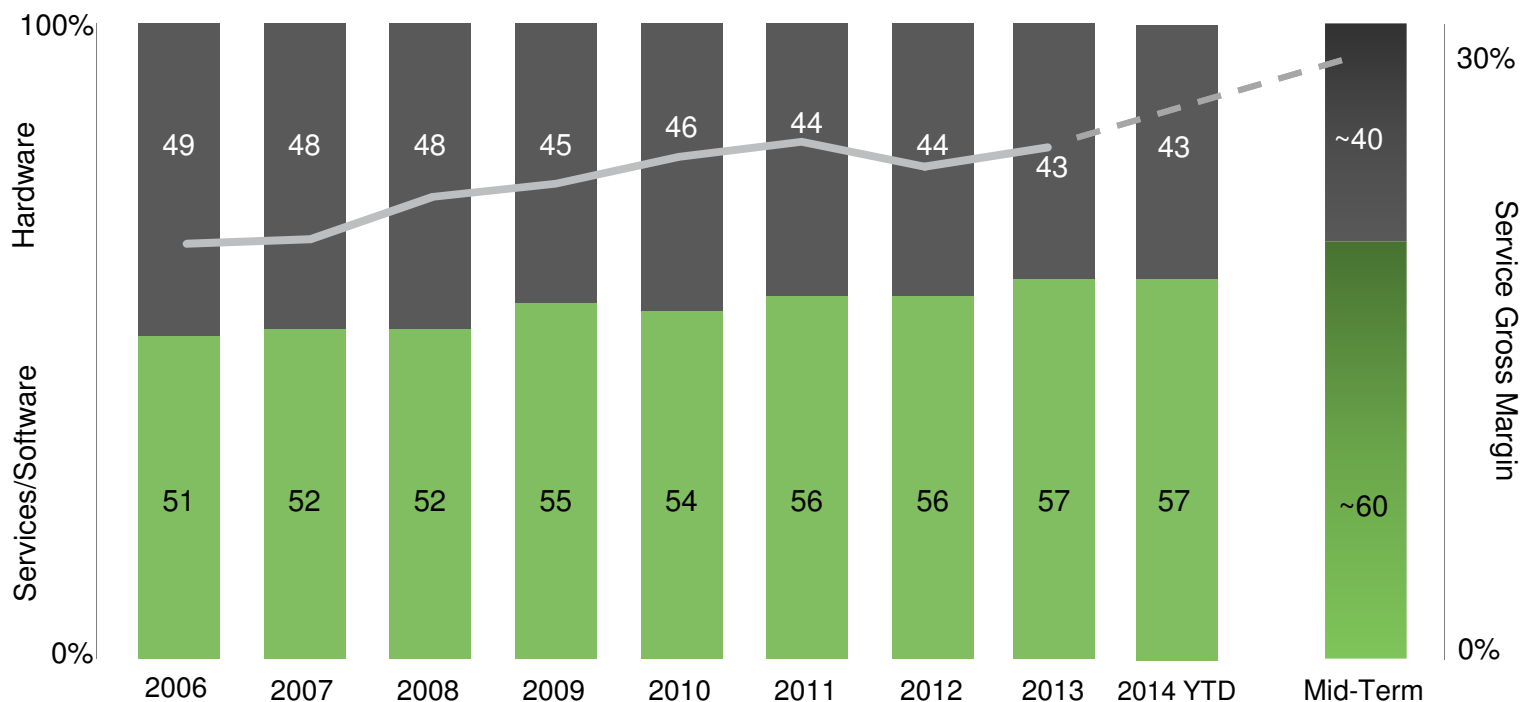
## Asia-Pacific:

- Total orders increased 22%, or 29% constant currency
- Strong growth in India and Southeast Asia

\* Total orders include both product order entry and service revenue



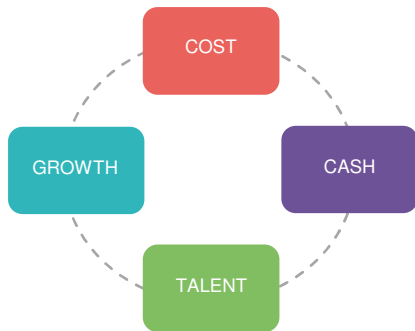
# En Route to a Services-Based Company Enabled by Software



Sales (\$Billions)

■ Hardware	1.3	1.4	1.5	1.2	1.3	1.3	1.3	1.2	0.6	
■ Services/Software	1.4	1.5	1.6	1.5	1.5	1.5	1.7	1.7	0.8	
Total	2.7	2.9	3.1	2.7	2.8	2.8	3.0	2.9	1.4	+3.0
— Service Gross Margin	20.5%	20.8%	23.7%	24.5%	26.4%	27.4%	25.7%	27.0%	29.7%	+30%

# Diebold 2.0: Four Pillars and Eight Point Program



**1**  
Establish competitive cost structure

- ✓ Service gross margin improvement from IT transformation
- ✓ Making progress with Accenture partnership



**2**  
Drive sustainable improvement in free cash flow



**3**  
Improve sales effectiveness and coverage

- ✓ In Electronic Security, hired 35 of a planned 50 net new sales executives



**4**  
Increase speed and agility



**5**  
Instill a winning culture grounded in execution

- ✓ CFO announced, Chris Chapman
- ✓ New heads of legal and compliance, global services and global marketing



**6**  
Collaborate with customers and partners to drive innovative solutions

- ✓ ActivEdge and partnership with Wincor to form ATM Security Industry Association
- ✓ Branch transformation pilots continue with banks of all sizes



**7**  
Further leverage services and software

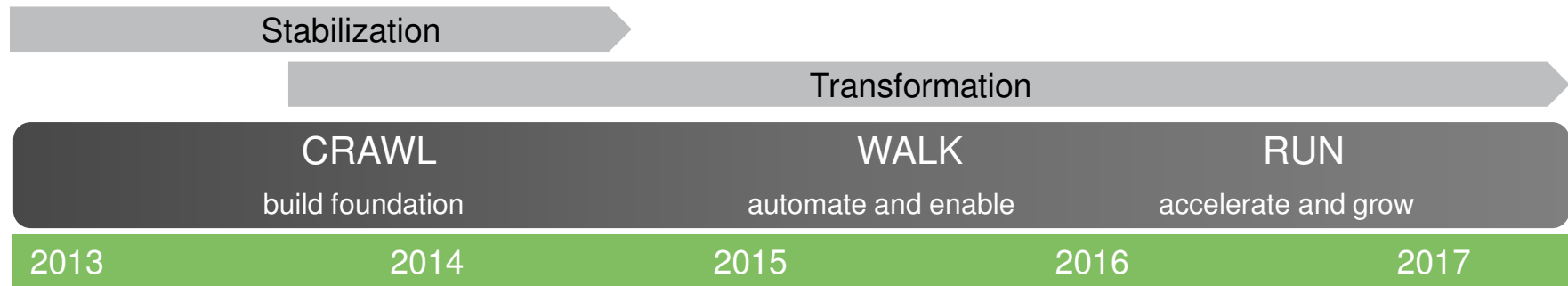
- ✓ New head of software



**8**  
Generate long-term, profitable growth

- ✓ Portfolio adjustments to support Diebold 2.0, including divestiture of Eras and acquisition of Cryptera

# Outlook and Conclusion



- Feel good about progress on Diebold 2.0 as we continue to meet near-term objectives
- Cost savings coming through, investments accelerating in second half
- Still in the early phase of our transformation with a number of initiatives ramping up

# Chris Chapman



Senior Vice President and Chief Financial Officer



**DIEBOLD**<sup>®</sup>



## Financial Overview

# Agenda

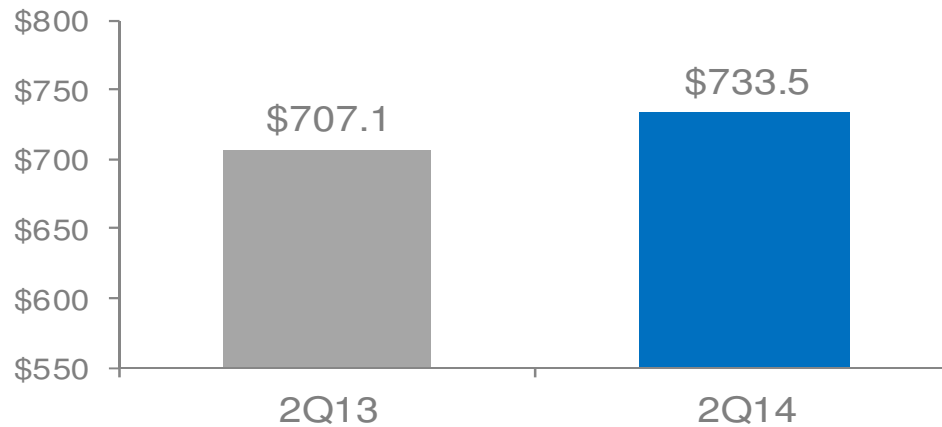
Second Quarter Financial Performance

2014 Outlook

Conclusion

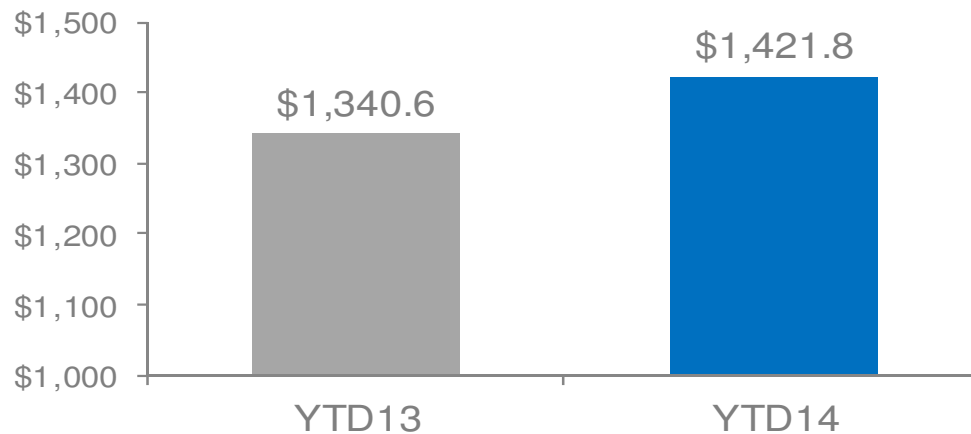
# Total Revenue

2013 vs. 2014 (\$ Millions)



## Q2 Revenue Summary:

- Up \$26.4M or 3.7%
- Negative currency impact of 2% mainly due to Brazilian real and Indian rupee
- Service decreased 0.8%, product revenue increased 10.1%

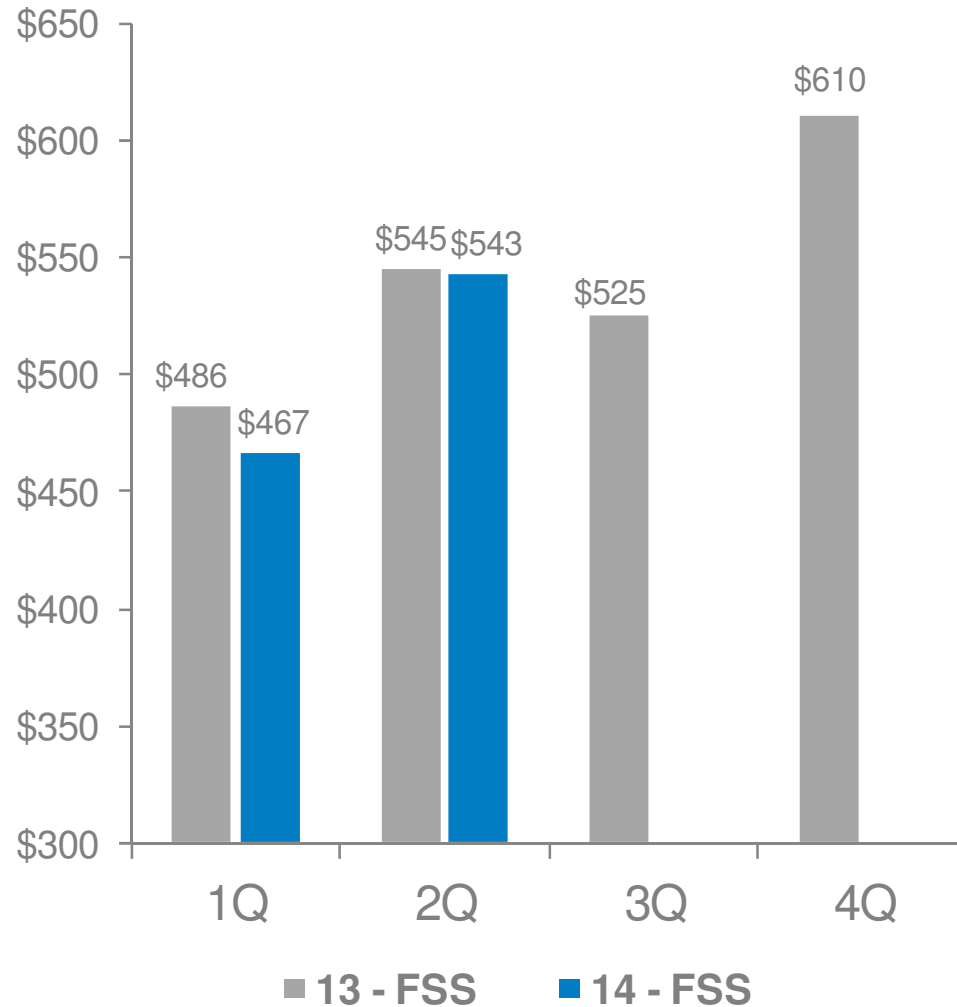


## YTD Revenue Summary:

- Up \$81.2M or 6.1%
- Negative currency impact of 3% mainly due to Brazilian real and Indian rupee
- Service revenue was flat, product revenue increased 15.3%

# Financial Self-Service Revenue

2013 vs. 2014 (\$ Millions)



## Q2 FSS Revenue Summary:

- Flat to Q2 '13
- Negative currency impact of 2%

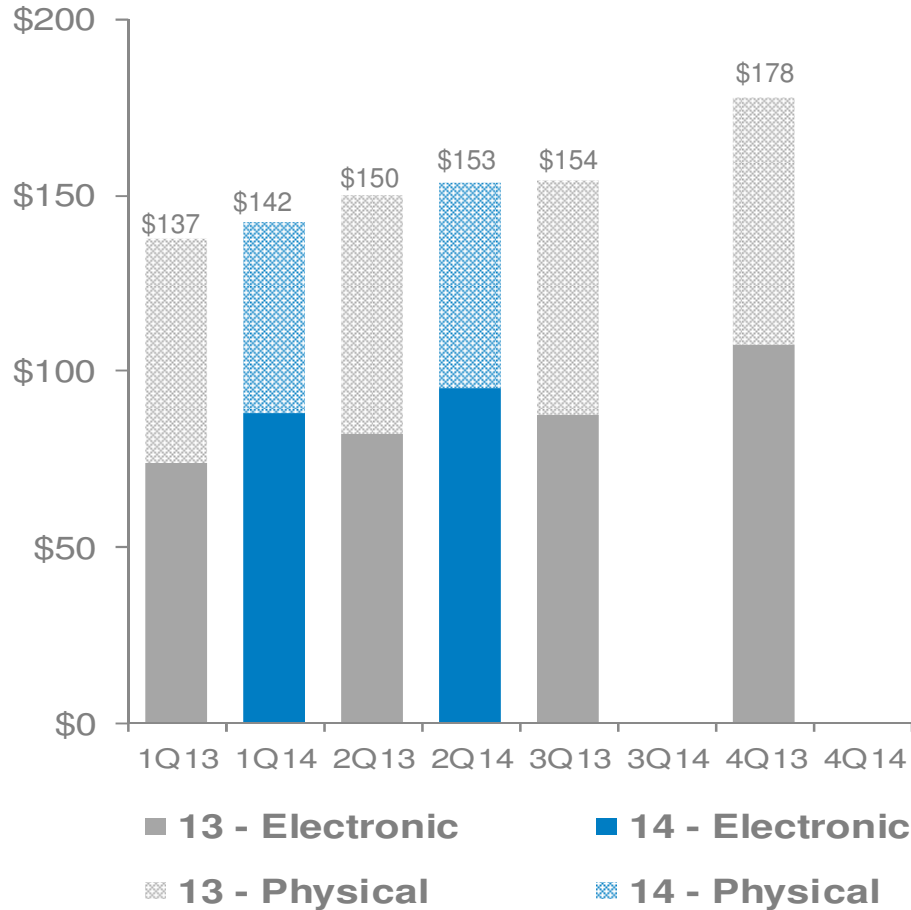
## YTD FSS Revenue Summary:

- Down \$21.0M or 2.0%
- Negative currency impact of 3%
- Decreases in North America and Brazil offset by growth in EMEA



# Security Revenue

2013 vs. 2014 (\$ Millions)



## Q2 Security Revenue Summary:

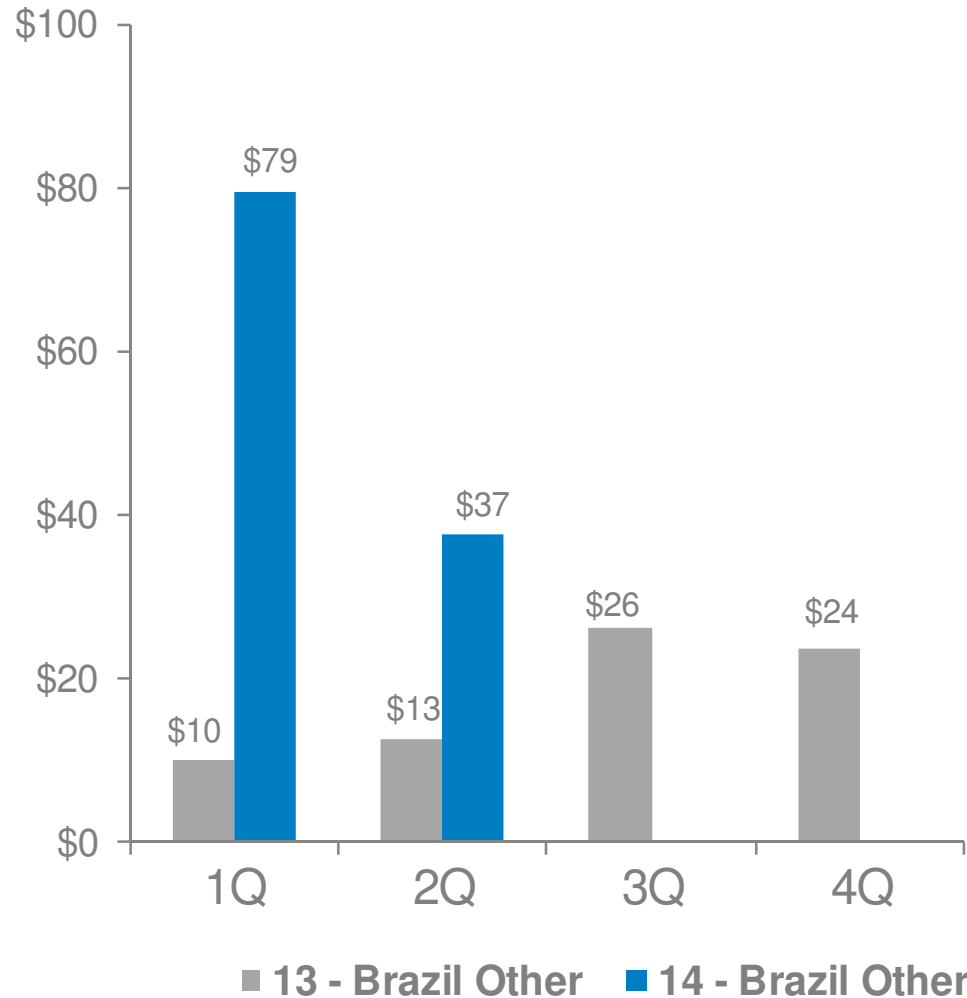
- Up \$3.5M or 2.3%
- Electronic security up 15%, partially offset by a decline in physical security of 14%

## YTD Security Revenue Summary:

- Up \$8.6M or 3.0%
- Electronic security up 17%, partially offset by a decline in physical security of 14%

# Brazil Other Revenue (Includes Election Systems, Lottery, and IT-related Equipment)

2013 vs. 2014 (\$ Millions)



## Q2 Brazil Other Revenue Summary:

- Up \$24M

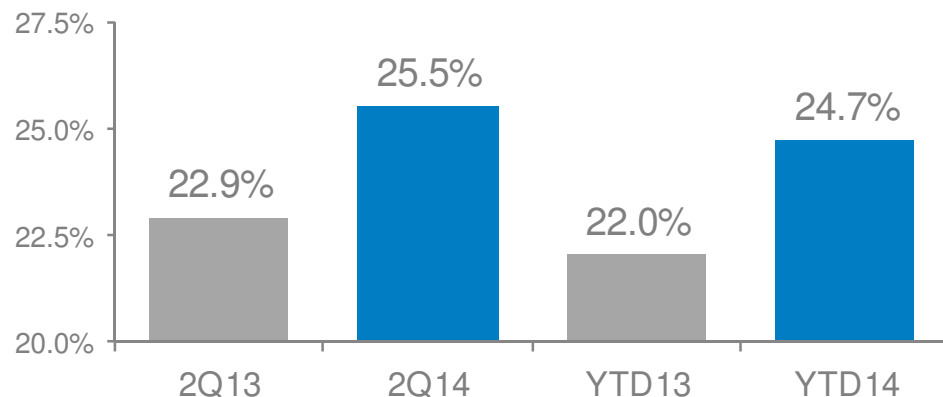
## YTD Brazil Other Revenue Summary:

- Up \$94.5M

# Gross Margins – non-GAAP\*

2013 vs. 2014 (%)

### Total Gross Margin



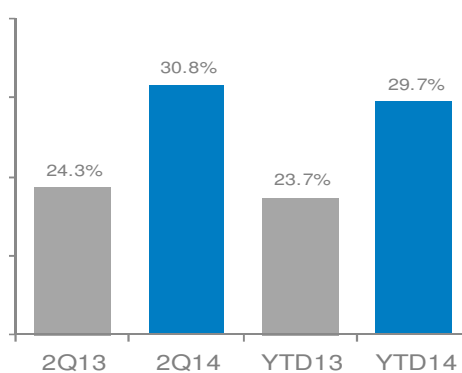
### Total Gross Margin:

- Q2 up 2.6 percentage points

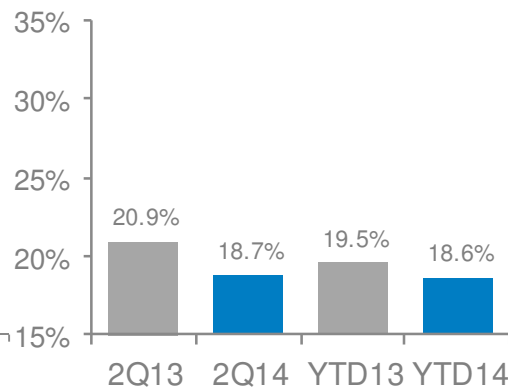
### Service Gross Margin:

- Q2 up 6.5 percentage points

### Service Gross Margin



### Product Gross Margin



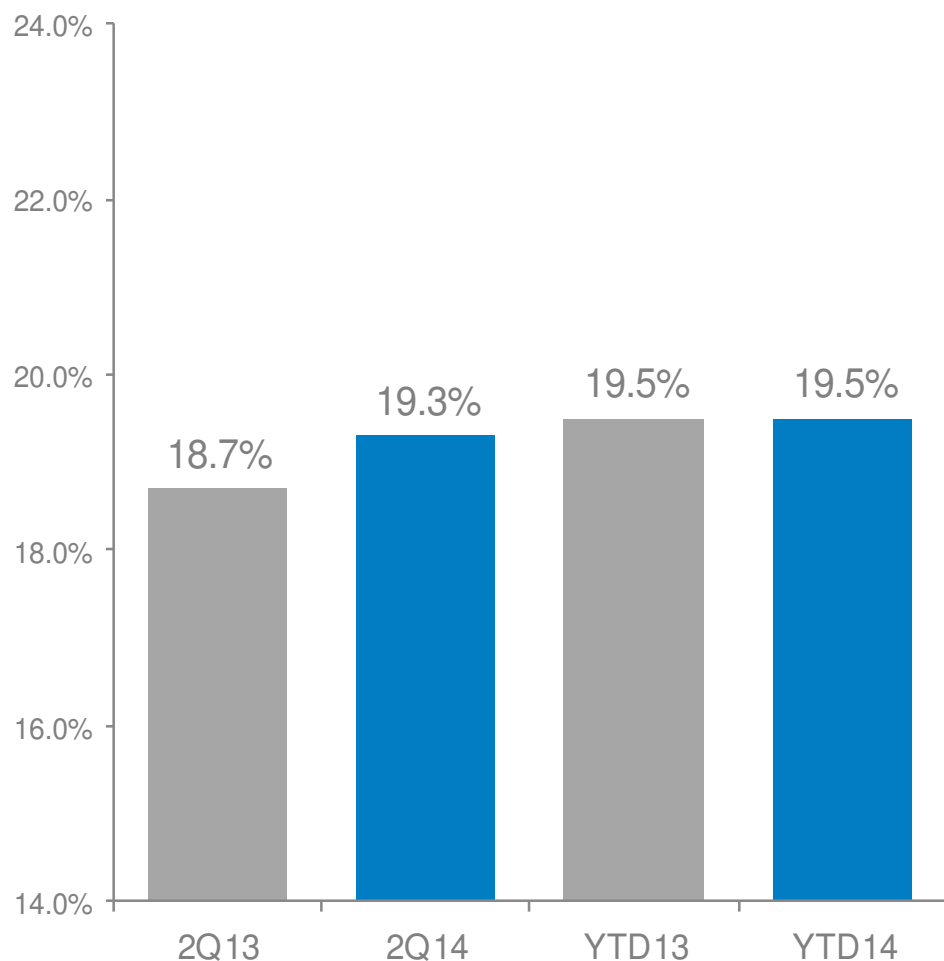
### Product Gross Margin:

- Q2 down 2.2 percentage points

\* See reconciliation of GAAP to non-GAAP measures at the end of this presentation

# Op. Ex. as a Percentage of Revenue – non-GAAP\*

2013 vs. 2014 (%)



Q2 Op. Ex. as a % of Revenue:

- Up \$9.3M on a dollar basis

\* See reconciliation of GAAP to non-GAAP measures at the end of this presentation



# Cost Structure Improvements

## Cost Savings

- FTE Reductions H1 '13
- Pension Q3 '13
- VERP Q4 '13
- Service Transformation '14-'15
- G&A Transformation '14-'15

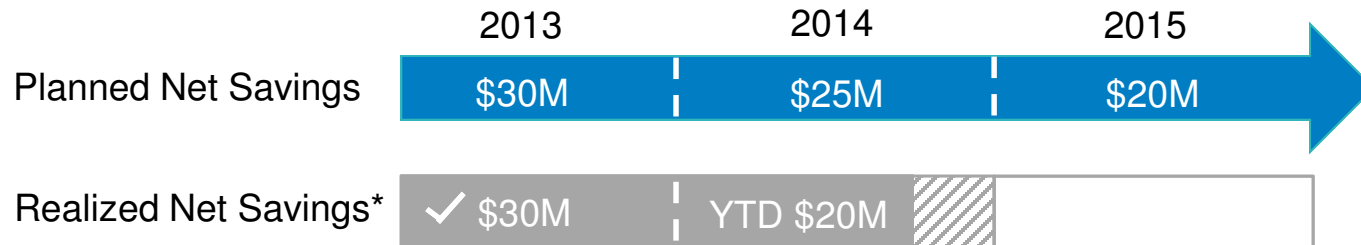
\$150M

## Investments

- Innovation
- IT Infrastructure
- Back-Office Transformation
- Service
- Sales and Marketing

(\$75M)

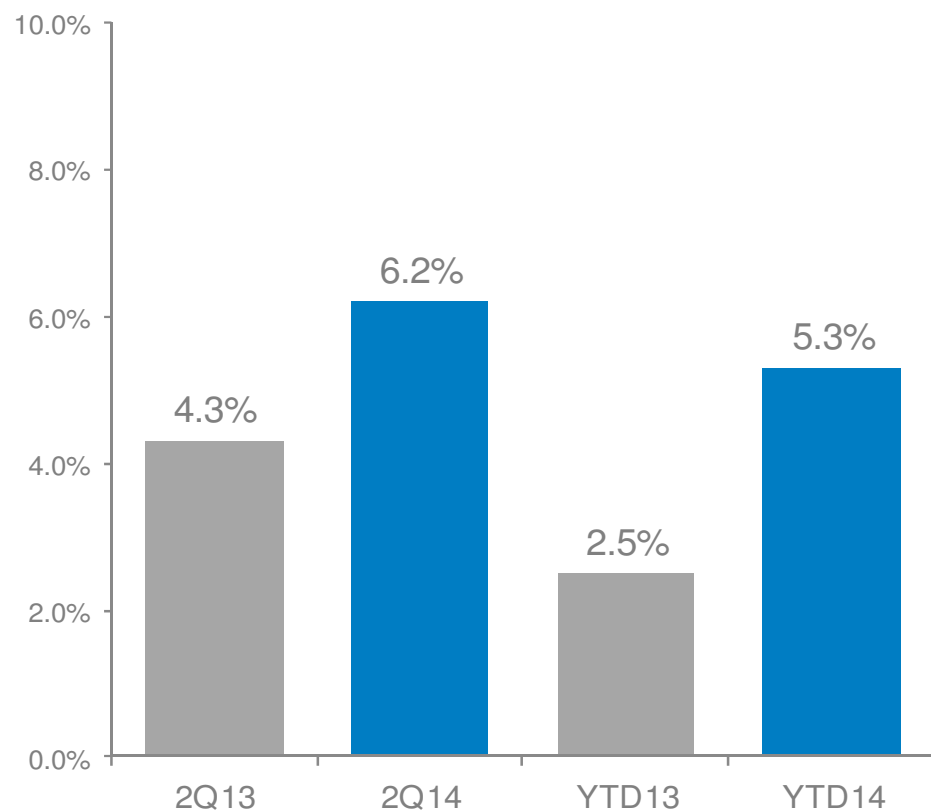
\$75M Net Savings



\* Total realized net savings as of June 30, 2014

# Operating Profit – non-GAAP\*

2013 vs. 2014 (\$ Millions)



Quarter:	2Q '13	2Q '14
Total Revenue	\$707.1	\$733.5
<b>Total Gross Profit</b>	<b>\$162.0</b>	<b>\$187.0</b>
Percent of Net Sales	22.9%	25.5%
<u>Operating Expenses</u>		
Selling, G & A	\$110.1	\$119.6
R, D&E	\$21.8	\$21.6
Total Operating Expense	\$131.9	\$141.2
Percent of Net Sales	18.7%	19.3%
<b>Total Operating Profit</b>	<b>\$30.1</b>	<b>\$45.8</b>
Percent of Net Sales	4.3%	6.2%

Year-to-date:	YTD '13	YTD '14
Total Revenue	\$1,340.6	\$1,421.8
<b>Total Gross Profit</b>	<b>\$295.1</b>	<b>\$351.8</b>
Percent of Net Sales	22.0%	24.7%
<u>Operating Expenses</u>		
Selling, G & A	\$219.2	\$234.9
R, D&E	\$42.0	\$41.7
Total Operating Expense	\$261.2	\$276.6
Percent of Net Sales	19.5%	19.5%
<b>Total Operating Profit</b>	<b>\$33.9</b>	<b>\$75.2</b>
Percent of Net Sales	2.5%	5.3%

\* See reconciliation of GAAP to non-GAAP measures at the end of this presentation

## Segment Reporting – non-GAAP\*

### Operating Profit by Reporting Segment (\$000's)

	<u>2Q '13</u>	<u>2Q '14</u>	<u>\$ Var</u>	<u>% Var</u>	<u>YTD '13</u>	<u>YTD '14</u>	<u>\$ Var</u>	<u>% Var</u>
North America	\$61,098	\$70,964	\$9,866	16%	\$107,175	\$129,194	\$22,019	21%
Asia Pacific	15,933	13,277	(2,656)	(17%)	29,640	30,056	416	1%
EMEA	9,457	21,993	12,536	133%	13,749	33,329	19,580	142%
Latin America	7,284	5,064	(2,220)	(30%)	12,554	6,600	(5,954)	(47%)
Brazil	(382)	3,654	4,036	N/M	(1,534)	13,646	15,180	N/M
<b>Total Segment Operating Profit</b>	<b>\$93,390</b>	<b>\$114,952</b>	<b>\$21,562</b>	<b>23%</b>	<b>\$161,584</b>	<b>\$212,825</b>	<b>\$51,241</b>	<b>32%</b>
Global/Corporate charges not allocated to segments*	(63,265)	(69,202)	(5,937)	(9%)	(127,678)	(137,585)	(9,907)	(8%)
<b>Total Non-GAAP Operating Profit</b>	<b>\$30,125</b>	<b>\$45,750</b>	<b>\$15,625</b>	<b>52%</b>	<b>\$33,906</b>	<b>\$75,240</b>	<b>\$41,334</b>	<b>122%</b>

\*Global/corporate charges not allocated to segments include headquarter based costs associated with manufacturing administration, procurement, human resources, compensation and benefits, finance and accounting, global development/engineering, global strategy/mergers and acquisitions, global information technology, tax, treasury and legal

## EPS Reconciliation

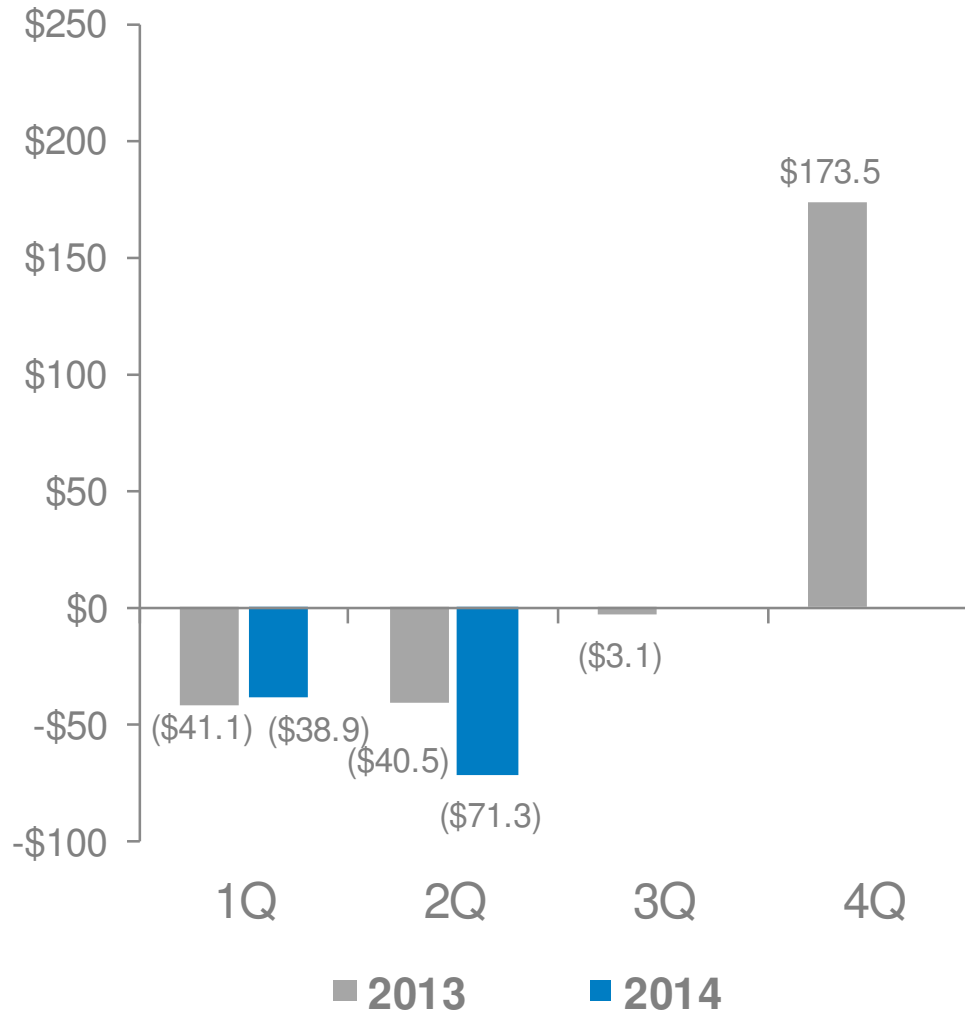
	<u>2Q13</u>	<u>2Q14</u>	<u>YTD13</u>	<u>YTD14</u>
<b>EPS (GAAP)</b>	<b>(\$1.65)</b>	<b>\$0.64</b>	<b>(\$1.87)</b>	<b>\$0.79</b>
Restructuring charges	0.08	0.01	0.17	0.06
Non-routine (income)/expense:				
FCPA settlement	0.36	--	0.36	--
Securities class action settlement	0.17	--	0.17	--
Legal, indemnification and professional fees	--	0.02	--	0.03
Gain on sale of Eras	--	(0.20)	--	(0.20)
Executive severance	--	--	0.09	--
Other	0.02	--	0.01	--
<b>Total non-routine (income)/expense</b>	<b>0.55</b>	<b>(0.18)</b>	<b>0.63</b>	<b>(0.17)</b>
Tax expense on foreign cash repatriation	0.67	--	0.67	0.03
<b>Total adjusted EPS (non-GAAP )</b>	<b>(\$0.35)</b>	<b>\$0.47</b>	<b>(\$0.40)</b>	<b>\$0.71</b>
Valuation allowance on Brazil deferred tax assets	0.61	--	0.62	--
<b>Total adjusted EPS (non-GAAP ) excluding Brazil valuation allowance</b>	<b>\$0.26</b>	<b>\$0.47</b>	<b>\$0.22</b>	<b>\$0.71</b>
<b>Tax rate (non-GAAP)</b>	<b>37.4%</b>	<b>36.1%</b>	<b>47.7%</b>	<b>35.1%</b>

Note: The sums of the quarterly figures may not equal annual figures due to rounding or differences in the weighted-average number of shares outstanding during the respective periods.



# Free Cash Flow\*

2013 vs. 2014 (\$ Millions)

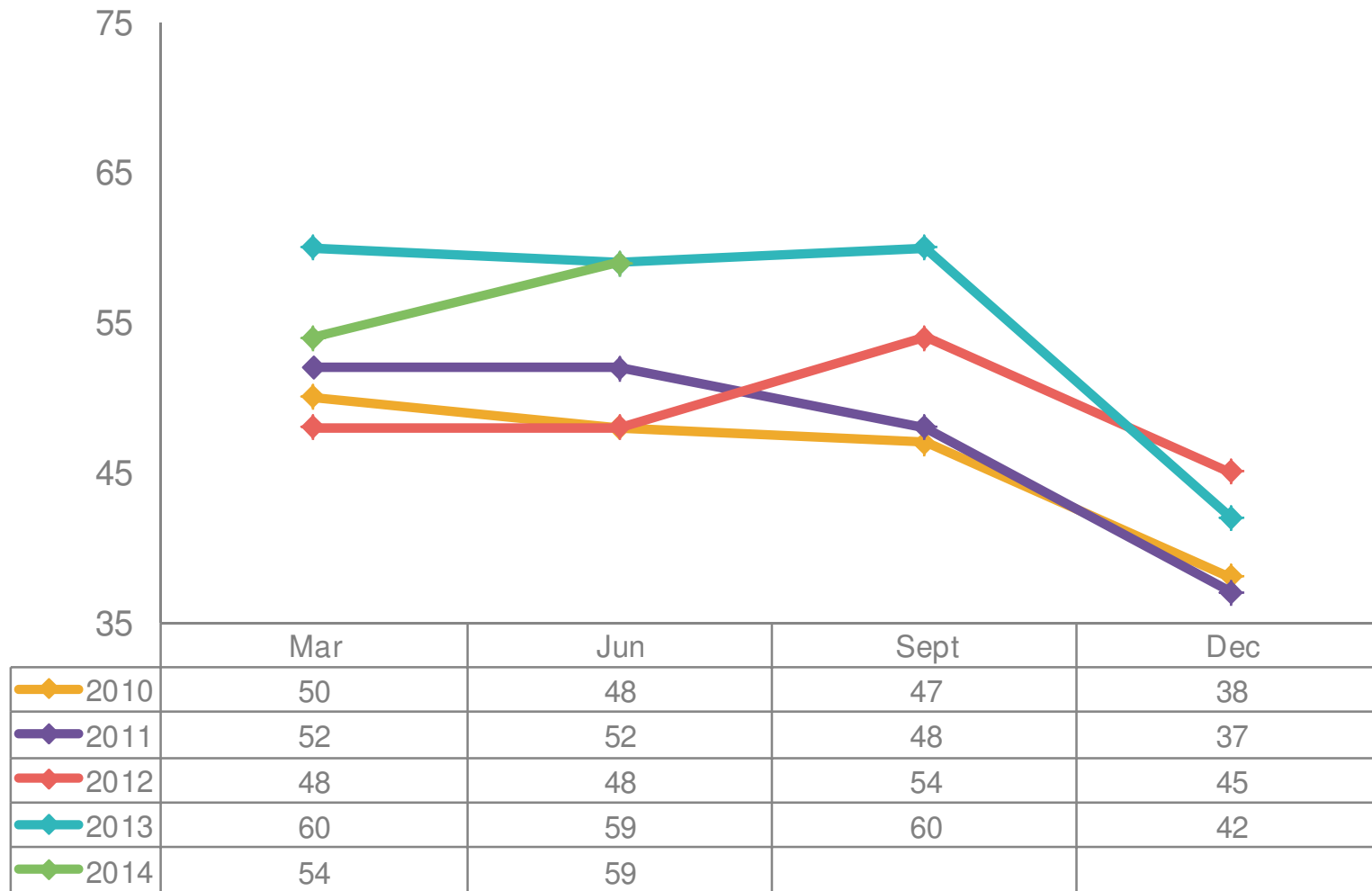


## Free Cash Flow:

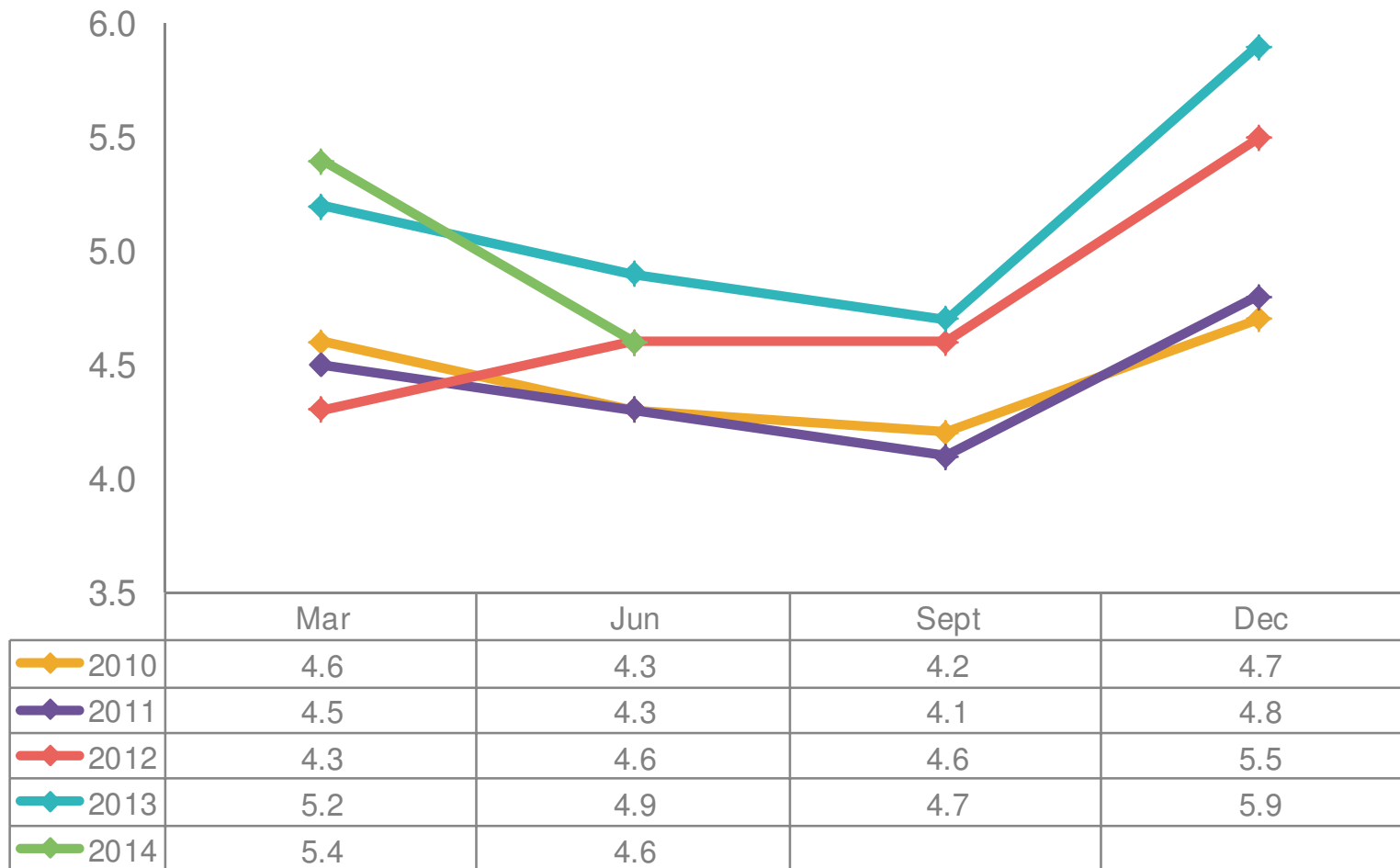
- Q2'14 cash (use) increased \$(30.8M) from Q2'13
- ~\$30 million in VERP-related severance paid in first half

\* See reconciliation of GAAP to non-GAAP measures at the end of this presentation

# Working Capital – DSO



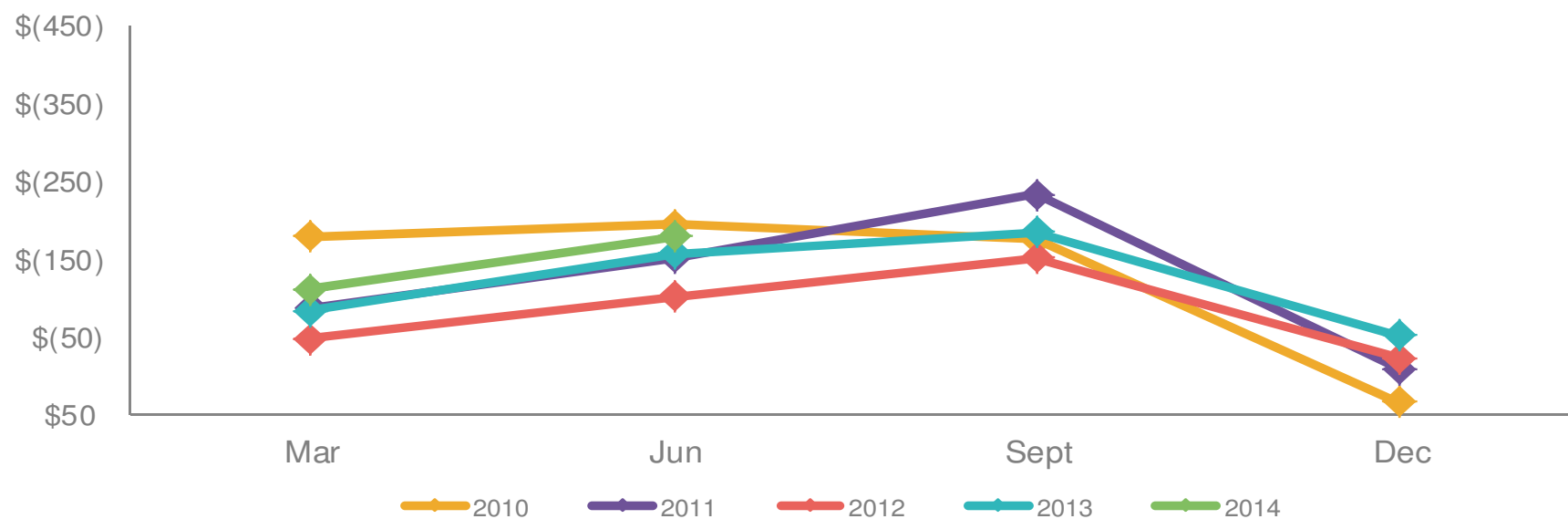
# Working Capital – Inventory Turns



# Liquidity & Net Debt

(\$ Millions)

	Jun. 30, 2014	Dec. 31, 2013	Jun. 30, 2013
Cash, cash equivalents and other investments (GAAP measure)	\$375.8	\$473.7	\$526.0
Debt Instruments	(553.6)	(524.5)	(682.4)
<b>Net (debt) (non-GAAP measure)</b>	<b>\$(177.8)</b>	<b>\$(50.8)</b>	<b>\$(156.4)</b>
Net debt to capital* ratio	15%	5%	12%



\* Capital includes Diebold shareholder equity, excludes non-controlling interest

# 2014 Outlook

Revenue	Previous	Current
Total revenue	Up mid single-digits	Up mid single-digits
<b>Earnings per share</b>		
2014 EPS (GAAP)	\$1.30 - \$1.55	\$1.55 - \$1.80
Restructuring charges	0.23 - 0.20	0.18 - 0.15
Non-routine expense	0.12 - 0.10	0.12 - 0.10
Non-routine (income)	-	(0.20)
Total restructuring charges & net non-routine (income)/expense	\$0.35 - \$0.30	\$0.10 - \$0.05
2014 EPS (non-GAAP)	\$1.65 - \$1.85	\$1.65 - \$1.85
<b>Tax rate</b>		
Non-GAAP effective tax rate	~30%	~30%
<b>Free cash flow</b>		
Total free cash flow	\$80 - \$100M	\$80 - \$100M

## Conclusion

- Focusing on continuous improvements to maintain and strengthen control environment while operationally reducing costs and improving working capital efficiencies
- Beginning to demonstrate tangible results from turnaround efforts
- Early in process and beginning necessary reinvestments to position the company for long-term growth

# Thank You





Supplemental Schedules



# Q2 2014 Profit & Loss Statement

## Reconciliation GAAP to non-GAAP (\$ Millions)

	2014 (GAAP)	Restructuring	FCPA settlement	Securities class action settlement	Legal, indem. & prof. fees	Gain on sale of Eras	Executive severance	Other non-routine inc/exp	Tax exp. on foreign cash repatriation	2014 (non-GAAP)	Valuation Allowance	Adjusted 2014 (non-GAAP)
Total Revenue	\$733.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$733.5	\$0.0	\$733.5
<b>Total Gross Profit</b>	<b>\$186.8</b>	<b>\$0.2</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$187.0</b>	<b>\$0.0</b>	<b>\$187.0</b>
Percent of Net Sales	25.5%									25.5%		25.5%
<b>Operating Expenses</b>												
Selling, G & A	\$121.0	(\$0.5)	\$0.0	\$0.0	(\$1.3)	\$0.0	\$0.0	(\$0.2)	\$0.0	\$119.0	\$0.0	\$119.0
R, D & E	\$21.6	(\$0.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$21.6	\$0.0	\$21.6
(Gain)/Loss on Assets	(\$13.1)	\$0.0	\$0.0	\$0.0	\$0.0	\$13.7	\$0.0	\$0.0	\$0.0	\$0.7	\$0.0	\$0.7
Impairment of Assets	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Operating Expense	\$129.6	(\$0.5)	\$0.0	\$0.0	(\$1.3)	\$13.7	\$0.0	(\$0.2)	\$0.0	\$141.2	\$0.0	\$141.2
Percent of Net Sales	17.7%									19.3%		19.3%
<b>Total Operating Profit</b>	<b>\$57.2</b>	<b>\$0.7</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$1.3</b>	<b>(\$13.7)</b>	<b>\$0.0</b>	<b>\$0.2</b>	<b>\$0.0</b>	<b>\$45.8</b>	<b>\$0.0</b>	<b>\$45.8</b>
Percent of Net Sales	7.8%									6.2%		6.2%
Other income/(expense)	\$4.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$4.0	\$0.0	\$4.0
Inc from Cont Ops before Tax	\$61.2	\$0.7	\$0.0	\$0.0	\$1.3	(\$13.7)	\$0.0	\$0.2	\$0.0	\$49.7	\$0.0	\$49.7
	8.3%									6.8%		6.8%
Income Taxes	(\$18.1)	(\$0.2)	\$0.0	\$0.0	(\$0.5)	\$1.0	\$0.0	(\$0.1)	\$0.0	(\$17.8)	\$0.0	(\$17.8)
<b>Income from Cont Ops</b>	<b>\$43.1</b>	<b>\$0.5</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.8</b>	<b>(\$12.7)</b>	<b>\$0.0</b>	<b>\$0.2</b>	<b>\$0.0</b>	<b>\$31.9</b>	<b>\$0.0</b>	<b>\$31.9</b>
Percent of Net Sales	5.9%									4.4%		4.4%
Noncontrol Interest - Net Tax	(\$1.5)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$1.5)	\$0.0	(\$1.5)
<b>Inc from Cont Ops - Net Tax</b>	<b>\$41.6</b>	<b>\$0.5</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.8</b>	<b>(\$12.7)</b>	<b>\$0.0</b>	<b>\$0.2</b>	<b>\$0.0</b>	<b>\$30.4</b>	<b>\$0.0</b>	<b>\$30.4</b>
Loss from Disc Ops - Net Tax	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income	\$41.6	\$0.5	\$0.0	\$0.0	\$0.8	(\$12.7)	\$0.0	\$0.2	\$0.0	\$30.4	\$0.0	\$30.4
Percent of Net Sales	5.7%									4.1%		4.1%

# Q2 2013 Profit & Loss Statement

## Reconciliation GAAP to non-GAAP (\$ Millions)

	2013 (GAAP)	Restructuring	FCPA settlement	Securities class action settlement	Legal, indem. & prof. fees	Gain on sale of Eras	Executive severance	Other non-routine inc/exp	Tax exp. on foreign cash repatriation	2013 (non-GAAP)	Valuation Allowance	Adjusted 2013 (non-GAAP)
Total Revenue	\$707.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$707.1	\$0.0	\$707.1
<b>Total Gross Profit</b>	<b>\$157.4</b>	<b>\$4.3</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.3</b>	<b>\$0.0</b>	<b>\$162.0</b>	<b>\$0.0</b>	<b>\$162.0</b>
Percent of Net Sales	22.3%									22.9%		22.9%
<b>Operating Expenses</b>												
Selling, G & A	\$157.2	(\$1.6)	(\$28.0)	(\$17.5)	\$0.0	\$0.0	\$0.0	(\$0.4)	\$0.0	\$109.7	\$0.0	\$109.7
R, D & E	\$23.4	(\$1.6)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$21.8	\$0.0	\$21.8
(Gain)/Loss on Assets	(\$0.2)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.2)	\$0.0	(\$0.2)
Impairment of Assets	\$0.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.6	\$0.0	\$0.6
Total Operating Expense	\$181.0	(\$3.2)	(\$28.0)	(\$17.5)	\$0.0	\$0.0	\$0.0	(\$0.4)	\$0.0	\$131.9	\$0.0	\$131.9
Percent of Net Sales	25.6%									18.7%		18.7%
<b>Total Operating Profit</b>	<b>(\$23.6)</b>	<b>\$7.6</b>	<b>\$28.0</b>	<b>\$17.5</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.7</b>	<b>\$0.0</b>	<b>\$30.1</b>	<b>\$0.0</b>	<b>\$30.1</b>
Percent of Net Sales	-3.3%									4.3%		4.3%
Other income/(expense)	(\$1.9)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$1.9)	\$0.0	(\$1.9)
Inc from Cont Ops before Tax	(\$25.5)	\$7.6	\$28.0	\$17.5	\$0.0	\$0.0	\$0.0	\$0.7	\$0.0	\$28.3	\$0.0	\$28.3
	-3.6%									4.0%		4.0%
Income Taxes	(\$78.4)	(\$2.5)	(\$4.8)	(\$6.5)	\$0.0	\$0.0	\$0.0	(\$0.2)	\$42.8	(\$49.6)	\$39.1	(\$10.5)
<b>Income from Cont Ops</b>	<b>(\$103.9)</b>	<b>\$5.0</b>	<b>\$23.2</b>	<b>\$11.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.5</b>	<b>\$42.8</b>	<b>(\$21.3)</b>	<b>\$39.1</b>	<b>\$17.8</b>
Percent of Net Sales	-14.7%									-3.0%		2.5%
Noncontrol Interest - Net Tax	(\$1.2)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$1.2)	\$0.0	(\$1.2)
<b>Inc from Cont Ops - Net Tax</b>	<b>(\$105.0)</b>	<b>\$5.0</b>	<b>\$23.2</b>	<b>\$11.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.5</b>	<b>\$42.8</b>	<b>(\$22.5)</b>	<b>\$39.1</b>	<b>\$16.6</b>
Loss from Disc Ops - Net Tax	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income	(\$105.0)	\$5.0	\$23.2	\$11.0	\$0.0	\$0.0	\$0.0	\$0.5	\$42.8	(\$22.5)	\$39.1	\$16.6
Percent of Net Sales	-14.9%									-3.2%		2.3%

## Q2 2014 Product & Service Gross Profit

Reconciliation GAAP to non-GAAP (\$ Millions)

	2014 (GAAP)	Restructuring	Other non-routine inc/exp	2014 (non-GAAP)
Service Revenue	\$409.8	\$0.0	\$0.0	\$409.8
Product Revenue	\$323.6	\$0.0	\$0.0	\$323.6
Total Revenue	\$733.5	\$0.0	\$0.0	\$733.5
Service Gross Profit	\$126.2	\$0.1	\$0.0	\$126.4
Percent of Net Sales	30.8%			30.8%
Product Gross Profit	\$60.6	\$0.1	\$0.0	\$60.6
Percent of Net Sales	18.7%			18.7%
<b>Total Gross Profit</b>	<b>\$186.8</b>	<b>\$0.2</b>	<b>\$0.0</b>	<b>\$187.0</b>
Percent of Net Sales	25.5%			25.5%

## Q2 2013 Product & Service Gross Profit

Reconciliation GAAP to non-GAAP (\$ Millions)

	2013 (GAAP)	Restructuring	Other non-routine inc/exp	2013 (non-GAAP)
Service Revenue	\$413.2	\$0.0	\$0.0	\$413.2
Product Revenue	\$293.9	\$0.0	\$0.0	\$293.9
Total Revenue	\$707.1	\$0.0	\$0.0	\$707.1
Service Gross Profit	\$96.1	\$4.2	\$0.3	\$100.6
Percent of Net Sales	23.3%			24.3%
Product Gross Profit	\$61.3	\$0.1	\$0.0	\$61.4
Percent of Net Sales	20.9%			20.9%
<b>Total Gross Profit</b>	<b>\$157.4</b>	<b>\$4.3</b>	<b>\$0.3</b>	<b>\$162.0</b>
Percent of Net Sales	22.3%			22.9%

# Q2 YTD 2014 Profit & Loss Statement

## Reconciliation GAAP to non-GAAP (\$ Millions)

	2014 (GAAP)	Restructuring	FCPA settlement	Securities class action settlement	Legal, indem. & prof. fees	Gain on sale of Eras	Executive severance	Other non-routine inc/exp	Tax exp. on foreign cash repatriation	2014 (non-GAAP)	Valuation Allowance	Adjusted 2014 (non-GAAP)
Total Revenue	\$1,421.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,421.8	\$0.0	\$1,421.8
<b>Total Gross Profit</b>	<b>\$350.9</b>	<b>\$0.9</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$351.8</b>	<b>\$0.0</b>	<b>\$351.8</b>
Percent of Net Sales	24.7%									24.7%		24.7%
<b>Operating Expenses</b>												
Selling, G & A	\$241.3	(\$5.0)	\$0.0	\$0.0	(\$2.2)	\$0.0	\$0.0	(\$0.4)	\$0.0	\$233.7	\$0.0	\$233.7
R, D & E	\$41.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$41.7	\$0.0	\$41.7
(Gain)/Loss on Assets	(\$12.6)	\$0.0	\$0.0	\$0.0	\$0.0	\$13.7	\$0.0	\$0.0	\$0.0	\$1.2	\$0.0	\$1.2
Impairment of Assets	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Operating Expense	\$270.4	(\$4.9)	\$0.0	\$0.0	(\$2.2)	\$13.7	\$0.0	(\$0.4)	\$0.0	\$276.6	\$0.0	\$276.6
Percent of Net Sales	19.0%									19.5%		19.5%
<b>Total Operating Profit</b>	<b>\$80.5</b>	<b>\$5.8</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$2.2</b>	<b>(\$13.7)</b>	<b>\$0.0</b>	<b>\$0.4</b>	<b>\$0.0</b>	<b>\$75.2</b>	<b>\$0.0</b>	<b>\$75.2</b>
Percent of Net Sales	5.7%									5.3%		5.3%
Other income/(expense)	(\$7.6)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$7.6)	\$0.0	(\$7.6)
Inc from Cont Ops before Tax	\$72.9	\$5.8	\$0.0	\$0.0	\$2.2	(\$13.7)	\$0.0	\$0.4	\$0.0	\$67.6	\$0.0	\$67.6
Income Taxes	5.1%									4.8%		4.8%
Income Taxes	(\$24.9)	(\$1.8)	\$0.0	\$0.0	(\$0.8)	\$1.0	\$0.0	(\$0.2)	\$1.7	(\$25.0)	\$0.0	(\$25.0)
<b>Income from Cont Ops</b>	<b>\$48.0</b>	<b>\$4.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$1.4</b>	<b>(\$12.7)</b>	<b>\$0.0</b>	<b>\$0.3</b>	<b>\$1.7</b>	<b>\$42.7</b>	<b>\$0.0</b>	<b>\$42.7</b>
Percent of Net Sales	3.4%									3.0%		3.0%
Noncontrol Interest - Net Tax	\$3.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$3.4	\$0.0	\$3.4
<b>Inc from Cont Ops - Net Tax</b>	<b>\$51.4</b>	<b>\$4.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$1.4</b>	<b>(\$12.7)</b>	<b>\$0.0</b>	<b>\$0.3</b>	<b>\$1.7</b>	<b>\$46.1</b>	<b>\$0.0</b>	<b>\$46.1</b>
Loss from Disc Ops - Net Tax	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income	\$51.4	\$4.0	\$0.0	\$0.0	\$1.4	(\$12.7)	\$0.0	\$0.3	\$1.7	\$46.1	\$0.0	\$46.1
Percent of Net Sales	3.6%									3.2%		3.2%

# Q2 YTD 2013 Profit & Loss Statement

## Reconciliation GAAP to non-GAAP (\$ Millions)

	2013 (GAAP)	Restructuring	FCPA settlement	Securities class action settlement	Legal, indem. & prof. fees	Gain on sale of Eras	Executive severance	Other non-routine inc/exp	Tax exp. on foreign cash repatriation	2013 (non-GAAP)	Valuation Allowance	Adjusted 2013 (non-GAAP)
Total Revenue	\$1,340.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,340.6	\$0.0	\$1,340.6
<b>Total Gross Profit</b>	<b>\$287.4</b>	<b>\$7.1</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.6</b>	<b>\$0.0</b>	<b>\$295.1</b>	<b>\$0.0</b>	<b>\$295.1</b>
Percent of Net Sales	21.4%									22.0%		22.0%
<b>Operating Expenses</b>												
Selling, G & A	\$282.7	(\$7.5)	(\$28.0)	(\$17.5)	\$0.0	\$0.0	(\$9.3)	(\$1.2)	\$0.0	\$219.2	\$0.0	\$219.2
R, D & E	\$44.4	(\$2.5)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$42.0	\$0.0	\$42.0
(Gain)/Loss on Assets	(\$2.8)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$2.2	\$0.0	(\$0.6)	\$0.0	(\$0.6)
Impairment of Assets	\$0.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.6	\$0.0	\$0.6
Total Operating Expense	\$325.0	(\$10.0)	(\$28.0)	(\$17.5)	\$0.0	\$0.0	(\$9.3)	\$1.0	\$0.0	\$261.2	\$0.0	\$261.2
Percent of Net Sales	24.2%									19.5%		19.5%
<b>Total Operating Profit</b>	<b>(\$37.5)</b>	<b>\$17.1</b>	<b>\$28.0</b>	<b>\$17.5</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$9.3</b>	<b>(\$0.4)</b>	<b>\$0.0</b>	<b>\$33.9</b>	<b>\$0.0</b>	<b>\$33.9</b>
Percent of Net Sales	-2.8%									2.5%		2.5%
Other income/(expense)	(\$5.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$5.0)	\$0.0	(\$5.0)
Inc from Cont Ops before Tax	(\$42.5)	\$17.1	\$28.0	\$17.5	\$0.0	\$0.0	\$9.3	(\$0.4)	\$0.0	\$28.9	\$0.0	\$28.9
	-3.2%									2.2%		2.2%
Income Taxes	(\$75.2)	(\$6.1)	(\$4.8)	(\$6.5)	\$0.0	\$0.0	(\$3.4)	\$0.2	\$42.8	(\$53.0)	\$39.1	(\$13.9)
<b>Income from Cont Ops</b>	<b>(\$117.7)</b>	<b>\$11.0</b>	<b>\$23.2</b>	<b>\$11.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$5.9</b>	<b>(\$0.2)</b>	<b>\$42.8</b>	<b>(\$24.0)</b>	<b>\$39.1</b>	<b>\$15.1</b>
Percent of Net Sales	-8.8%									-1.8%		1.1%
Noncontrol Interest - Net Tax	(\$0.7)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.7)	\$0.0	(\$0.7)
<b>Inc from Cont Ops - Net Tax</b>	<b>(\$118.5)</b>	<b>\$11.0</b>	<b>\$23.2</b>	<b>\$11.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$5.9</b>	<b>(\$0.2)</b>	<b>\$42.8</b>	<b>(\$24.8)</b>	<b>\$39.1</b>	<b>\$14.3</b>
Loss from Disc Ops - Net Tax	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income	(\$118.5)	\$11.0	\$23.2	\$11.0	\$0.0	\$0.0	\$5.9	(\$0.2)	\$42.8	(\$24.8)	\$39.1	\$14.3
Percent of Net Sales	-8.8%									-1.8%		1.1%

## Q2 YTD 2014 Product & Service Gross Profit

Reconciliation GAAP to non-GAAP (\$ Millions)

	2014 (GAAP)	Restructuring	Other non-routine inc/exp	2014 (non-GAAP)
Service Revenue	\$793.2	\$0.0	\$0.0	\$793.2
Product Revenue	\$628.6	\$0.0	\$0.0	\$628.6
Total Revenue	\$1,421.8	\$0.0	\$0.0	\$1,421.8
Service Gross Profit	\$234.4	\$0.8	\$0.0	\$235.2
Percent of Net Sales	29.5%			29.7%
Product Gross Profit	\$116.6	\$0.1	\$0.0	\$116.6
Percent of Net Sales	18.5%			18.6%
<b>Total Gross Profit</b>	<b>\$350.9</b>	<b>\$0.9</b>	<b>\$0.0</b>	<b>\$351.8</b>
Percent of Net Sales	24.7%			24.7%

## Q2 YTD 2013 Product & Service Gross Profit

Reconciliation GAAP to non-GAAP (\$ Millions)

	2013 (GAAP)	Restructuring	Other non-routine inc/exp	2013 (non-GAAP)
Service Revenue	\$795.4	\$0.0	\$0.0	\$795.4
Product Revenue	\$545.2	\$0.0	\$0.0	\$545.2
Total Revenue	\$1,340.6	\$0.0	\$0.0	\$1,340.6
Service Gross Profit	\$181.4	\$6.9	\$0.6	\$188.8
Percent of Net Sales	22.8%			23.7%
Product Gross Profit	\$106.0	\$0.2	\$0.0	\$106.3
Percent of Net Sales	19.5%			19.5%
<b>Total Gross Profit</b>	<b>\$287.4</b>	<b>\$7.1</b>	<b>\$0.6</b>	<b>\$295.1</b>
Percent of Net Sales	21.4%			22.0%



# Free Cash Flow Reconciliation

(\$ Millions)

	<u>Q2 '13</u>	<u>Q2 '14</u>	<u>Q2 YTD 2013</u>	<u>Q2 YTD 2014</u>
Net cash provided (use) by operating activities	\$(31.7)	\$(60.2)	\$(63.4)	\$(91.8)
Capital expenditures	(8.8)	(11.1)	(18.2)	(18.3)
Free cash flow (use) (non-GAAP measure)	\$(40.5)	\$(71.3)	\$(81.6)	\$(110.1)

# Free Cash Flow Reconciliation

(\$ Millions)

	2008	2009	2010	2011	2012	2013	2014 Outlook
Net cash provided by (used in) operating activities (GAAP measure)	\$282	\$297	\$273	\$215	\$136	\$124	\$140 to \$170
Capital expenditures	(\$58)	(\$44)	(\$51)	(\$54)	(\$50)	(\$35)	(\$60) to (\$70)
Free cash flow / (use) (non-GAAP measure)	\$224	\$253	\$222	\$161	\$86	\$89	\$80 to \$100