DIEBOLD INC
Form 10-Q
August 07, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the quarterly period ended June 30, 2009

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 þ 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 o 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 þ	Accelerated Filer o	Non-Accelerated Filer o (Do not check if a smaller reporting company)	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 þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date. Common Stock, $1.25 Par Value 66,257,202 shares as of July 31, 2009

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PART I FINANCIAL INFORMATION
ITEM 1: FINANCIAL STATEMENTS

DIEBOLD, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	June 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 206,209	$ 241,436
Short-term investments	143,893	121,387
Trade receivables, less allowances for doubtful accounts of $27,295 and $25,060, respectively	405,085	447,079
Inventories	542,746	540,971
Deferred income taxes	98,068	95,086
Prepaid expenses	43,183	42,909
Other current assets	112,169	125,250
Total current assets	1,551,353	1,614,118
Securities and other investments	73,613	70,914
Property, plant and equipment, at cost	608,031	579,951
Less accumulated depreciation and amortization	399,318	376,357
Property, plant and equipment, net	208,713	203,594
Goodwill	432,179	408,303
Other assets	266,556	241,007
Total assets	$ 2,532,414	$ 2,537,936
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Notes payable	$ 276,639	$ 10,596
Accounts payable	142,601	195,483
Deferred revenue	219,743	195,164
Other current liabilities	332,451	334,154
Total current liabilities	971,434	735,397
Notes payable long term	300,000	594,588
Pensions and other benefits	119,738	131,792
Postretirement and other benefits	31,927	32,857

Deferred income taxes	40,152	35,307
Other long-term liabilities	42,821	43,737
Shareholders equity		
Diebold, Incorporated shareholders equity		
Preferred shares, no par value, 1,000,000 authorized shares, none issued		
Common shares, 125,000,000 authorized shares, 76,018,462 and 75,801,434 issued shares, 66,255,773 and 66,114,560 outstanding shares, respectively	95,023	94,752
Additional capital	284,447	278,135
Retained earnings	1,052,238	1,054,873
Treasury shares, at cost (9,762,689 and 9,686,874 shares, respectively)	(410,073)	(408,235)
Accumulated other comprehensive loss	(18,755)	(72,924)
Total Diebold, Incorporated shareholders equity	1,002,880	946,601
Noncontrolling interests	23,462	17,657
Total shareholders equity	1,026,342	964,258
Total liabilities and shareholders equity	$ 2,532,414	$ 2,537,936

See accompanying Notes to condensed consolidated financial statements.

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DIEBOLD, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share amounts)

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Net sales				
Products	$ 327,668	$ 355,138	$ 629,201	$ 663,617
Services	372,828	413,538	734,445	796,967
	700,496	768,676	1,363,646	1,460,584
Cost of sales				
Products	248,116	260,437	476,440	480,029
Services	279,584	315,112	562,374	614,866
	527,700	575,549	1,038,814	1,094,895
Gross profit	172,796	193,127	324,832	365,689
Selling and administrative expense	110,571	128,595	207,862	255,604
Research, development and engineering expense	17,841	17,517	34,312	36,658
Impairment of assets				4,376
	128,412	146,112	242,174	296,638
Operating profit	44,384	47,015	82,658	69,051
Other income (expense)				
Investment income	7,006	6,437	12,832	12,966
Interest expense	(7,786)	(10,399)	(17,744)	(21,187)
Miscellaneous, net	689	(2,242)	(24,854)	1,786
Income from continuing operations before taxes	44,293	40,811	52,892	62,616
Taxes on income	12,424	10,295	14,560	15,959
Income from continuing operations	31,869	30,516	38,332	46,657
Loss from discontinued operations, net of tax	(155)	(2,024)	(2,861)	(2,632)
Net income	31,714	28,492	35,471	44,025
Less: Net income attributable to noncontrolling interests	(1,284)	(1,278)	(3,393)	(3,016)
Net income attributable to Diebold, Incorporated	$ 30,430	$ 27,214	$ 32,078	$ 41,009
Basic weighted-average shares outstanding	66,252	66,101	66,214	66,059

Diluted weighted-average shares outstanding	66,786	66,765	66,734	66,364
Basic earnings per share:				
Net income from continuing operations	$ 0.46	$ 0.44	$ 0.52	$ 0.66
Loss from discontinued operations		(0.03)	(0.04)	(0.04)
Net income attributable to Diebold, Incorporated	$ 0.46	$ 0.41	$ 0.48	$ 0.62
Diluted earnings per share:				
Net income from continuing operations	$ 0.46	$ 0.44	$ 0.52	$ 0.66
Loss from discontinued operations		(0.03)	(0.04)	(0.04)
Net income attributable to Diebold, Incorporated	$ 0.46	$ 0.41	$ 0.48	$ 0.62
Amounts attributable to Diebold, Incorporated				
Income from continuing operations, net of tax	$ 30,585	$ 29,238	$ 34,939	$ 43,641
Discontinued operations, net of tax	(155)	(2,024)	(2,861)	(2,632)
Net income attributable to Diebold, Incorporated	$ 30,430	$ 27,214	$ 32,078	$ 41,009

See accompanying Notes to condensed consolidated financial statements.

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DIEBOLD, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six months ended June 30, 2009	Six months ended June 30, 2008
Cash flow from operating activities:		
Net income	$ 35,471	$ 44,025
Adjustments to reconcile net income to cash provided by operating activities:		
Loss from discontinued operations	2,861	2,632
Depreciation and amortization	37,474	33,477
Share-based compensation	6,058	6,021
Excess tax benefits from share-based compensation	(84)	
Deferred income taxes	(970)	(1,397)
Impairment of asset		4,376
Cash provided (used) by changes in certain assets and liabilities:		
Trade receivables	54,122	(54,793)
Inventories	17,016	(44,082)
Prepaid expenses	904	(2,981)
Other current assets	22,956	(17,371)
Accounts payable	(53,559)	18,425
Deferred revenue	22,549	25,798
Certain other assets and liabilities	(64,972)	(4,478)
Net cash provided by operating activities	79,826	9,652
Cash flow from investing activities:		
Payments for acquisitions, net of cash acquired	(5,364)	(3,733)
Proceeds from maturities of investments	102,255	135,610
Payments for purchases of investments	(108,635)	(163,679)
Proceeds from sale of fixed assets		29
Capital expenditures	(22,137)	(19,778)
Increase in certain other assets	(16,012)	(15,282)
Net cash used by investing activities	(49,893)	(66,833)
Cash flow from financing activities:		
Dividends paid	(34,713)	(33,270)
Notes payable borrowings	197,169	373,338
Notes payable repayments	(226,028)	(322,806)
Distribution of affiliates earnings to noncontrolling interest holders	(539)	
Excess tax benefits from share-based compensation	84	
Repurchase of shares for share-based compensation withhholding taxes	(1,838)	
Net cash (used) provided by financing activities	(65,865)	17,262

Effect of exchange rate changes on cash	705	7,825
Decrease in cash and cash equivalents	(35,227)	(32,094)
Cash and cash equivalents at the beginning of the period	241,436	206,334
Cash and cash equivalents at the end of the period	$ 206,209	$ 174,240

See accompanying Notes to condensed consolidated financial statements

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DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q as of June 30, 2009
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, 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 U.S. generally accepted accounting principles (GAAP); however, such information reflects all adjustments (consisting solely of normal recurring adjustments), which 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 thereto together with management s discussion and analysis of financial condition and results of operations contained in the Company s annual report on Form 10-K for the year ended December 31, 2008. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments of a normal recurring nature considered necessary to fairly state the financial position of the Company at June 30, 2009 and December 31, 2008, the results of its operations for the three- and six-month periods ended June 30, 2009 and June 30, 2008, and its cash flows for the six-month periods ended June 30, 2009 and June 30, 2008.

In addition, some of the Company s statements in this quarterly report on Form 10-Q may be considered forward-looking and involve risks and uncertainties that could significantly impact expected results. The results of operations for the six-month period ended June 30, 2009 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.

On April 1, 2009, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 165 (SFAS 165), *Subsequent Events,* which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This statement sets forth the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements. SFAS 165 also requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date that is, whether that date represents the date the financial statements were issued or were available to be issued. The adoption of SFAS 165 did not have a material impact on the Company s condensed consolidated financial statements; however, the Company provided additional disclosure as required by SFAS 165 in Note 14.

On April 1, 2009, the Company adopted three Financial Accounting Standard Board Staff Positions (FSPs): FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, FSP FAS 115-2, FAS 124-2 and Emerging Issues Task Force (EITF) 99-20-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, and FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. These FSPs clarify the guidance in SFAS 157, *Fair Value Measurements,* related to measuring fair-value in inactive markets, modifying the recognition and measurement of other-than-temporary impairments of debt securities, and requiring public companies to disclose the fair values of financial instruments in interim periods. The adoption of the FSPs did not have a material impact on the Company s condensed consolidated financial statements.

On January 1, 2009, the Company adopted FSP EITF No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.* Under the FSP, unvested share-based payment awards that contain rights to receive non-forfeitable dividends (whether paid or unpaid) are participating securities, and should be included in the two-class method of computing earnings per share. The adoption of FSP EITF No. 03-6-1 did not have an impact on the Company s condensed consolidated financial statements.

On January 1, 2009, the Company adopted SFAS No. 162 (SFAS 162), *The Hierarchy of Generally Accepted Accounting Principles.* SFAS 162 identifies the sources of accounting principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. The adoption of SFAS 162 did not have a material impact on the Company s condensed consolidated financial statements.

On January 1, 2009, the Company adopted FSP No. 142-3 (FSP 142-3), *Determination of the Useful Life of Intangible Assets,* which amends the list of factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS No. 142, *Goodwill and Other Intangible Assets.* The FSP applies to intangible assets that are acquired individually or with a group of other assets and both intangible assets acquired in business combinations and asset acquisitions. The adoption of FSP 142-3 did not have a material impact on the Company s condensed consolidated financial statements.

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On January 1, 2009, the Company adopted SFAS No. 161 (SFAS 161), *Disclosures about Derivatives Instruments and Hedging Activities an amendment of FASB Statement No. 133*. SFAS 161 applies to all entities and requires specified disclosures for derivative instruments and related hedged items accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133). SFAS 161 amends and expands SFAS 133 s existing disclosure requirements to provide financial statement users with a better understanding of how and why an entity uses derivatives, how derivative instruments and related hedged items are accounted for under SFAS 133, and how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. The adoption of SFAS 161 did not have a material impact on the Company s condensed consolidated financial statements; however, the Company provided additional disclosure as required by SFAS 161 in Note 9.

On January 1, 2009, the Company adopted SFAS No. 160 (SFAS 160), *Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB 51*. SFAS 160 applies to all entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. Under SFAS 160, noncontrolling interests in a subsidiary that were historically recorded within mezzanine (or temporary) equity or as a liability are now included in the equity section of the balance sheet. In addition, this statement requires expanded disclosures in the financial statements that clearly identify and distinguish between the interests of the parent s owners and the interest of the noncontrolling owners of the subsidiary. The adoption of SFAS 160 did not have a material impact on the Company s condensed consolidated financial statements. However, as a result of the adoption of this standard, the condensed consolidated financial statements are reclassified to report noncontrolling interests as required by SFAS 160.

On January 1, 2009, the Company adopted SFAS 141 (revised 2007) (SFAS 141(R)), *Business Combinations*, which amends the accounting and reporting requirements for business combinations. SFAS 141(R) places greater reliance on fair value information, requiring more acquired assets and liabilities to be measured at fair value as of the acquisition date. The statement also requires acquisition-related transaction and restructuring costs to be expensed rather than treated as a capitalized cost of acquisition. The adoption of SFAS 141(R) did not have a material impact on the Company s condensed consolidated financial statements.

On January 1, 2009, the Company adopted the FSP 141(R)-1 (FSP 141(R)-1), *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*, which amends and clarifies the initial recognition and measurement, subsequent measurement and accounting, and related disclosures of assets and liabilities arising from contingencies in a business combination under SFAS 141(R), *Business Combinations*. The adoption of FSP 141(R)-1 had no impact on the Company s condensed consolidated financial statements.

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NOTE 2: EARNINGS PER SHARE

Basic and diluted earnings per share are calculated in accordance with SFAS No. 128, *Earnings Per Share*. On January 1, 2009, the Company adopted FSP EITF No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. Under this FSP, unvested share-based payment awards that contain rights to receive non-forfeitable dividends are considered participating securities and the two-class method of computing earnings per share is required for all periods presented.

The Company s participating securities include restricted stock units, deferred shares and shares that were vested but deferred by the employee. The Company has calculated basic and diluted earnings per share under both the treasury stock method and the two-class method. For the three- and six-month periods ended June 30, 2009 and 2008, there was no impact in the per share amounts calculated under the two methods, therefore the treasury stock method continues to be disclosed below.

The following data provides the amounts used in computing earnings per share under the treasury stock method and the effect on the weighted-average number of shares of dilutive potential common stock:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Numerator:				
Income used in basic and diluted earnings per share:				
Income from continuing operations net of tax attributable to Diebold, Incorporated	$ 30,585	$ 29,238	$ 34,939	$ 43,641
Loss from discontinued operations net of tax	(155)	(2,024)	(2,861)	(2,632)
Net income attributable to Diebold, Incorporated	30,430	27,214	32,078	41,009
Denominator:				
Weighted-average number of common shares used in basic earnings per share	66,252	66,101	66,214	66,059
Effect of dilutive shares	534	664	520	305
Weighted-average number of common shares and dilutive potential common shares used in diluted earnings per share	66,786	66,765	66,734	66,364
Basic earnings per share:				
Income from continuing operations net of tax attributable to Diebold, Incorporated	$ 0.46	$ 0.44	$ 0.52	$ 0.66
Loss from discontinued operations net of tax		(0.03)	(0.04)	(0.04)
Net income attributable to Diebold, Incorporated	$ 0.46	$ 0.41	$ 0.48	$ 0.62

Diluted earnings per share:				
Income from continuing operations net of tax attributable to Diebold, Incorporated	$ 0.46	$ 0.44	$ 0.52	$ 0.66
Loss from discontinued operations net of tax		(0.03)	(0.04)	(0.04)
Net income attributable to Diebold, Incorporated	$ 0.46	$ 0.41	$ 0.48	$ 0.62
Anti-dilutive shares not used in calculating diluted weighted-average shares	2,360	1,329	2,715	2,452

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NOTE 3: OTHER COMPREHENSIVE INCOME

Items considered to be other comprehensive income include adjustments made for foreign currency translation under SFAS No. 52, *Foreign Currency Translation*, pensions under SFAS No. 87, *Employer s Accounting for Pensions*, and SFAS No. 158, *Employers Accounting for Postretirement Benefits other than Pensions*, and hedging activities under SFAS 133.

Components of comprehensive income consist of the following:

	Three months ended June 30,		Six months ended June 30,	
	2009	**2008**	**2009**	**2008**
Net income	$ 31,714	$ 28,492	$ 35,471	$ 44,025
Other comprehensive income:				
Translation adjustment	67,608	37,248	53,602	59,106
Realized and unrealized gain (loss) on hedges	1,539	1,731	1,723	(660)
Pension adjustment	940	46	1,795	374
Comprehensive income	101,801	67,517	92,591	102,845
Less: comprehensive income attributable to noncontrolling interests	3,034	372	6,344	2,962
Comprehensive income attributable to Diebold, Incorporated	$ 98,767	$ 67,145	$ 86,247	$ 99,883

The following table provides a reconciliation of total shareholders equity attributable to Diebold, Incorporated and the noncontrolling interests for the three months ended June 30, 2009 and 2008:

	Total shareholders equity	Total Diebold, Incorporated shareholders equity	Noncontrolling interests
Beginning balance at March 31, 2009	$ 938,838	$ 918,338	$ 20,500
Net income	31,714	30,430	1,284
Other comprehensive income			
Translation adjustment	67,608	65,858	1,750
Realized and unrealized gain on hedges	1,539	1,539	
Pension adjustment	940	940	
Comprehensive income	101,801	98,767	3,034
Common shares	33	33	
Additional paid in capital	3,181	3,181	

Treasury stock		(72)		(72)		
Dividends declared		(17,439)		(17,367)		(72)
Ending balance at June 30, 2009	$	1,026,342	$	1,002,880	$	23,462
Beginning balance at March 31, 2008	$	1,150,781	$	1,134,434	$	16,347
Net income		28,492		27,214		1,278
Other comprehensive income						
Translation adjustment		37,248		38,154		(906)
Realized and unrealized gain on hedges		1,731		1,731		
Pension adjustment		46		46		
Comprehensive income		67,517		67,145		372
Common shares						
Additional paid in capital		3,018		3,018		
Treasury stock						
Dividends declared		(16,698)		(16,698)		
Ending balance at June 30, 2008	$	1,204,618	$	1,187,899	$	16,719

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(Unaudited)
(in thousands, except per share amounts)

The following table provides a reconciliation of total shareholders equity attributable to Diebold, Incorporated and the noncontrolling interests for the six months ended June 30, 2009 and 2008:

	Total shareholders equity	Total Diebold, Incorporated shareholders equity	Noncontrolling interests
Beginning balance at December 31, 2008	$ 964,258	$ 946,601	$ 17,657
Net income	35,471	32,078	3,393
Other comprehensive income			
Translation adjustment	53,602	50,651	2,951
Realized and unrealized gain on hedges	1,723	1,723	
Pension adjustment	1,795	1,795	
Comprehensive income	92,591	86,247	6,344
Common shares	272	272	
Additional paid in capital	6,311	6,311	
Treasury stock	(1,838)	(1,838)	
Dividends declared	(35,252)	(34,713)	(539)
Ending balance at June 30, 2009	$ 1,026,342	$ 1,002,880	$ 23,462
Beginning balance at December 31, 2007	$ 1,128,591	$ 1,114,834	$ 13,757
Adjustment to retained earnings (1)	(3,971)	(3,971)	
Net income	44,025	41,009	3,016
Other comprehensive income			
Translation adjustment	59,106	59,160	(54)
Realized and unrealized loss on hedges	(660)	(660)	
Pension adjustment	374	374	
Comprehensive income	102,845	99,883	2,962
Common shares	267	267	
Additional paid in capital	12,347	12,347	
Treasury stock	(2,191)	(2,191)	
Dividends declared	(33,270)	(33,270)	
Ending balance at June 30, 2008	$ 1,204,618	$ 1,187,899	$ 16,719

(1) Beginning retained earnings adjustment of $1,387 in 2008 related to the remeasurement of pension plan assets and benefit obligation in order to transition to a fiscal year-end measurement date in accordance with SFAS No. 158 (SFAS 158), *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R)*. Beginning retained earnings adjustment of $2,584 in 2008 related to the Company s adoption of EITF Issue No. 06-10, *Accounting for Collateral Assignment Split-Dollar Life Insurance,* and EITF Issue No. 06-4, *Accounting for Deferred*

Compensation and Post Retirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements.

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NOTE 4: SHARE-BASED COMPENSATION

The Company s share-based compensation awards are accounted for in accordance with the requirements of SFAS No. 123 (revised 2004) (SFAS 123(R)), *Share-Based Payment*, which requires that all share-based payments to employees be recognized in the statement of income 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 was recognized as a component of selling and administrative expenses. Total share-based compensation expense for the three and six months ended June 30, 2009 was $3,133 and $6,058, respectively. Total share-based compensation for the three and six months ended June 30, 2008 was $3,018 and $6,021, respectively.

Options outstanding and exercisable under the Company s 1991 Equity and Performance Incentive Plan (as Amended and Restated as of April 13, 2009) as of June 30, 2009, and changes during the six months ended June 30, 2009, were as follows:

	Number of Shares	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (1)
Outstanding at January 1, 2009	2,929	$ 39.43		
Options expired or forfeited	(189)	35.57		
Options exercised				
Options granted	437	24.78		
Outstanding at June 30, 2009	3,177	$ 37.64	5	$ 1,283
Options exercisable at June 30, 2009	2,235	$ 40.91	4	$ 394

(1) The aggregate intrinsic value represents the total pre-tax intrinsic value (the difference between the closing price of the Company s common shares on the last trading day of the second quarter of 2009

and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on June 30, 2009. The amount of aggregate intrinsic value will change based on the fair market value of the Company s common shares.

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(Unaudited)
(in thousands, except per share amounts)

The following tables summarize information on unvested restricted stock units (RSUs) and performance shares outstanding for the six-month period ended June 30, 2009:

RSUs:	**Number of Shares**	**Weighted-Average Grant-Date Fair Value**
Unvested at January 1, 2009	389	$ 38.36
Forfeited	(9)	34.33
Vested	(91)	39.86
Granted	172	24.71
Unvested at June 30, 2009	461	$ 33.04

Performance Shares:	**Number of Shares**	**Weighted-Average Grant-Date Fair Value**
Unvested at January 1, 2009	605	$ 44.31
Forfeited	(84)	48.83
Vested	(110)	48.31
Granted	306	29.25
Unvested at June 30, 2009	717	$ 36.74

Unvested performance shares are based on a maximum potential payout. Actual shares granted at the end of the performance period may be less than the maximum potential payout level depending on achievement of performance share objectives.

The following tables summarize information on deferred shares outstanding for the six-month period ended June 30, 2009:

Deferred Shares:	**Number of Shares**	**Weighted-Average Grant-Date Fair Value**
January 1, 2009	38	$ 42.24
Released	(4)	42.71
Granted	28	25.52
June 30, 2009	62	$ 34.64

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NOTE 5: INCOME TAXES

The effective tax rate on continuing operations for the three months ended June 30, 2009 was 28.0 percent compared to 25.2 percent for the same period in 2008. The rate for the three-month period ended June 30, 2009 increased by 2.8 percent over the same period in 2008 primarily due to discrete items relating to international contingencies. The effective tax rate on continuing operations for the six months ended June 30, 2009 was 27.5 percent compared to 25.5 percent for the same period in 2008. The rate for the six-month period ended June 30, 2009 increased by 2.0 percent over the same period in 2008 primarily due to the same discrete items relating to international contingencies. In addition, the effective tax rate for the six months ended June 30, 2009 increased due to a $25,000 non-deductible charge related to an agreement in principle with the U.S. Securities and Exchange Commission (SEC) (refer to Note 10). This non-deductible charge will continue to negatively impact the tax rate in future quarters during 2009.

NOTE 6: INVENTORIES

The Company primarily values inventories at the lower of cost or market applied on a first-in, first-out (FIFO) basis. Some entities, notably Brazil and Premier Election Solutions, Inc., value inventory using the average cost method, which approximates FIFO. At each reporting period, the Company identifies and writes down its excess or obsolete inventory to its net realizable value based on forecasted usage, orders and inventory aging. With the development of new products, the Company also rationalizes its product offerings and will write down discontinued product to the lower of cost or net realizable value.

Major classes of inventories are summarized as follows:

	June 30, 2009	December 31, 2008
Finished goods	$ 264,141	$ 276,439
Service parts	150,595	144,742
Work in process	65,815	54,752
Raw materials	62,195	65,038
Total inventories	**$ 542,746**	**$ 540,971**

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NOTE 7: BENEFIT PLANS

Plans that cover salaried employees provide pension benefits based on the employee s compensation during the ten years before retirement. The Company s funding policy for salaried plans is to contribute annually based on actuarial projections and applicable regulations. Plans covering hourly employees and union members generally provide benefits of stated amounts for each year of service. The Company s funding policy for hourly plans is to make at least the minimum annual contributions required by applicable regulations. Employees of the Company s operations in countries outside of the United States participate to varying degrees in local pension plans, which in the aggregate are not significant.

In addition to providing pension benefits, the Company provides healthcare and life insurance benefits (referred to as other benefits) for certain retired employees. Eligible employees may be entitled to these benefits based upon years of service with the Company, age at retirement and collective bargaining agreements. Currently, the Company has made no commitments to increase these benefits for existing retirees or for employees who may become eligible for these benefits in the future. There are no plan assets and the Company funds the benefits as the claims are paid.

	Three months ended June 30,			
	2009	**2008**	**2009**	**2008**
	Pension Benefits		**Other Benefits**	
Components of net periodic benefit cost				
Service cost	$ 2,726	$ 2,460	$	$ 1
Interest cost	7,237	7,012	282	305
Expected return on plan assets	(9,243)	(8,937)		
Amortization of prior service cost	68	95	(129)	(129)
Recognized net actuarial loss	891	52	110	28
Net periodic pension benefit cost	$ 1,679	$ 682	$ 263	$ 205

	Six months ended June 30,			
	2009	**2008**	**2009**	**2008**
	Pension Benefits		**Other Benefits**	
Components of net periodic benefit cost				
Service cost	$ 5,451	$ 4,920	$	$ 1
Interest cost	14,474	14,023	563	610
Expected return on plan assets	(18,486)	(17,874)		
Amortization of prior service cost	135	190	(258)	(258)
Recognized net actuarial loss	1,697	307	221	135
Net periodic pension benefit cost	$ 3,271	$ 1,566	$ 526	$ 488

Cash Flows

Previously, the Company disclosed expected payments related to the 2009 plan year of $14,812 to its qualified and non-qualified pension plans and $1,993 to its other postretirement benefit plan. There have been no significant changes to the 2009 plan year contribution amounts previously disclosed. As of June 30, 2009 and 2008, contributions of $13,367and $1,407 were made to the qualified and non-qualified pension plans, respectively.

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NOTE 8: GUARANTEES AND PRODUCT WARRANTIES

In connection with the construction of certain manufacturing facilities, the Company guaranteed repayment of principal and interest on variable-rate industrial development revenue bonds by obtaining letters of credit. The bonds were issued with a 20-year original term and are scheduled to mature in 2017. At June 30, 2009, the carrying value of the liability was $11,900 which approximated fair market value.

The Company provides its global operations guarantees and standby letters of credit through various financial institutions to suppliers, regulatory agencies and insurance providers. If the Company is not able to make payment, the suppliers, regulatory agencies and insurance providers may draw on the pertinent bank. At June 30, 2009, the maximum future payment obligations related to these various guarantees totaled $77,858, of which $19,528 represented standby letters of credit to insurance providers. At June 30, 2008, the maximum future payment obligations relative to these various guarantees totaled $66,544, of which $22,628 represented standby letters of credit to insurance providers. There was no associated liability recorded for any guarantees as of June 30, 2009 and 2008.

The Company provides its customers a standard manufacturer s warranty and records, at the time of the sale, a corresponding estimated liability for potential warranty costs. Estimated future obligations due to warranty claims are based upon historical factors such as labor rates, average repair time, travel time, number of service calls per machine and cost of replacement parts. Changes in the Company s warranty liability balance are illustrated in the following table:

Warranty liability	**2009**	**2008**
Balance at January 1	$ 43,009	$ 26,494
Current period accruals	32,871	20,099
Current period settlements	(22,208)	(16,521)
Balance at June 30	$ 53,672	$ 30,072

NOTE 9: DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company uses derivatives to mitigate the negative economic consequences associated with the fluctuations in currencies and interest rates. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at fair value and that the changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows derivative gains and losses to be reflected in the income statement together with the hedged exposure, and requires that a company formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment. The Company does not enter into any speculative positions with regard to derivative instruments.

On January 1, 2009, the Company adopted SFAS 161, which amends and expands SFAS 133 s existing disclosure requirements to provide financial statement users with a better understanding of how and why an entity uses derivatives, how derivative instruments and related hedged items are accounted for under SFAS 133, and how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows.

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

FOREIGN EXCHANGE CONTRACTS

Non-Designated Hedges

A substantial portion of the Company s operations and revenues are international. As a result, changes in foreign exchange rates can create substantial foreign exchange gains and losses from the revaluation of non-functional currency monetary assets and liabilities. The Company s policy allows the use of foreign exchange forward contracts with maturities of up to 24 months to mitigate the impact of currency fluctuations on those foreign currency asset and liability balances. The Company elected not to apply hedge accounting to its foreign exchange forward contracts under SFAS 133. Thus, derivative gains/losses offset revaluation gains/losses in other income (expense). For the three and six months ended June 30, 2009, there were 241 and 510 non-designated foreign exchange contracts that settled, respectively. As of June 30, 2009, there were 57 non-designated foreign exchange contracts outstanding, primarily euro, British pound and Swiss franc, totaling $585,458, which represents the absolute value of notional amounts.

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Net Investment Hedges

The Company has international subsidiaries with assets in excess of liabilities that generate the risk of cumulative translation adjustments within other comprehensive income. The Company uses derivatives to manage potential adverse changes in value of its net investments in Brazil. The Company s policy is to selectively enter into foreign exchange forward contracts with variable maturities documented as net investment hedges to offset certain net investment exchange rate movements. The Company calculates each hedge s effectiveness quarterly by comparing the cumulative change in the forward contract to the cumulative change in the hedged portion of the net investment on a forward to forward basis. Changes in value that are deemed effective are accumulated in other comprehensive income where they will remain until they are reclassified to income together with the gain or loss on the entire investment upon substantial liquidation of the subsidiary. There was no ineffectiveness recorded in the six months ended June 30, 2009. For the three and six months ended June 30, 2009, there were three and six net investment hedge contracts that settled, respectively. As of June 30, 2009, there was one net investment hedge contract outstanding, in Brazilian real, with a notional amount of $11,511.

INTEREST RATE CONTRACTS

Cash Flow Hedges

The Company has variable rate debt and is subject to fluctuations in interest related cash flows due to changes in market interest rates. The Company s policy allows derivative instruments designated as cash flow hedges which fix a portion of future variable-rate interest expense. The Company has executed two pay-fixed receive-variable interest rate swaps, with a total notional amount of $50,000, to hedge against changes in the London Interbank Offered Rate (LIBOR) benchmark interest rate on a portion of the Company s LIBOR-based credit facility.

The Company calculates each hedge s effectiveness quarterly by comparing the cumulative change in the interest rate swaps to the cumulative change in hypothetical interest rate swaps with critical terms that match the credit facility. Changes in value that are deemed effective are accumulated in other comprehensive income and reclassified to interest expense when the hedged interest is accrued. There was no ineffectiveness from over-performance of the interest rate swaps recorded in interest expense in the six months ended June 30, 2009. To the extent that it becomes probable that the Company s variable rate borrowings will not occur, the gains or losses on the related cash flow hedges will be reclassified from other comprehensive income to interest expense.

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

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The following table summarizes the fair value of derivative instruments designated and not designated as hedging instruments under SFAS 133 and their respective balance sheet location as of June 30, 2009:

	Fair value	Balance sheet location
Derivatives designated as hedging instruments		
Asset derivatives:		
Foreign exchange contracts	$ 14	Other current liabilities
Liability derivatives:		
Interest rate contracts	(1,898)	Other current liabilities
Interest rate contracts	(1,821)	Other long-term liabilities
Total liability derivatives	(3,719)	
Total hedging instruments	$ (3,705)	
Derivatives not designated as hedging instruments		
Asset derivatives:		
Foreign exchange contracts	$ 674	Other current assets
Foreign exchange contracts	547	Other current liabilities
Total asset derivatives	1,221	
Liability derivatives:		
Foreign exchange contracts	(101)	Other current assets
Foreign exchange contracts	(4,397)	Other current liabilities
Total liability derivatives	(4,498)	
Total derivatives not designated	$ (3,277)	
Total derivatives	$ (6,982)	

The balance sheet location noted above represents the balance sheet line item where the respective contract types are reported using a net basis due to master netting agreements with counterparties. However, the asset derivative and liability derivative categories noted above represent the Company s derivative positions on a gross contract by contract basis.

The following table summarizes the impact of derivative instruments included in other comprehensive income (loss) (pre-tax) for the three and six months ended June 30, 2009:

Hedging relationship	Balance April 1, 2009	Gain (loss) recognized in OCI (effective portion)	Gain (loss) reclassified from accumulated OCI (effective portion)	Income statement location	Balance June 30, 2009
Foreign exchange contracts	$ (7,899)	$ (2,099)	$	N/A	$ (9,998)
Interest rate contracts	(2,693)	1,600	(61)	Interest expense	(1,154)
Total	$ (10,592)	$ (499)	$ (61)		$ (11,152)

Hedging relationship	Balance January 1, 2009	Gain (loss) recognized in OCI (effective portion)	Gain (loss) reclassified from accumulated OCI (effective portion)	Income statement location	Balance June 30, 2009
Foreign exchange contracts	$ (7,516)	$ (2,482)	$	N/A	$ (9,998)
Interest rate contracts	(2,877)	1,509	214	Interest expense	(1,154)
Total	$ (10,393)	$ (973)	$ 214		$ (11,152)

The company anticipates reclassifying $1,569 from other comprehensive income to interest expense within the next 12 months.

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The following table summarizes the loss recognized on non-designated derivative instruments for the three- and six-month periods ended June 30, 2009:

Hedging relationship	Three months ended June 30, 2009	Six months ended June 30, 2009	Income statement location
Foreign exchange contracts	$ (1,704)	$ (5,195)	Interest expense
Foreign exchange contracts	(26,781)	(17,988)	Miscellaneous, net
Total	$ (28,485)	$ (23,183)	

NOTE 10: RESTRUCTURING AND OTHER CHARGES

The following table summarizes the Company s restructuring charges by plan for the three- and six-month periods ended June 30, 2009 and 2008:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
DCM Plan	$ 408	$ 632	$ 890	$ 1,518
Germany Plan	(20)	5,937	20	5,937
RIF Plan	2,580	3,516	3,467	6,311
Newark Plan	358	67	1,304	67
Other	674	1,236	2,775	1,245
Total	$ 4,000	$ 11,388	$ 8,456	$ 15,078

Diebold Cassis Manufacturing (DCM) Plan

During the first quarter of 2006, the Company announced a plan (DCM Plan) to close its production facility in Cassis, France in an effort to optimize its global manufacturing operations. As of June 30, 2009, the Company anticipates remaining total costs related to the closure of this facility to be approximately $814. For the six months ended June 30, 2009, the Company incurred $890 in product cost of sales. The accrual balance as of June 30, 2009 was immaterial to the Company.

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There were no restructuring expenses related to the Company s Diebold Election Systems (ES) & Other operating segment during the six months ended June 30, 2009 for the DCM Plan. Restructuring expenses for the DCM Plan are presented for Diebold North America (DNA) and Diebold International (DI) operating segments in the following table:

	DNA	DI
Total amount expected to be incurred		
Employee severance costs	$	$ 19,406
Other (1)	886	11,074
Total expected costs	$ 886	$ 30,480
Gain on sale of building		(6,438)
Total net expected costs	$ 886	$ 24,042
Amount incurred during the three months ended June 30, 2009		
Employee severance costs	$	$ 327
Other (1)		81
Total costs	$	$ 408
Amount incurred during the six months ended June 30, 2009		
Employee severance costs	$	$ 685
Other (1)		205
Total costs	$	$ 890
Amount incurred to date under the plan		
Employee severance costs	$	$ 19,209
Other (1)	886	10,457
Total costs incurred to date	$ 886	$ 29,666
Gain on sale of building		(6,438)
Total net costs incurred to date	$ 886	$ 23,228

(1) Other costs include legal

and contract termination fees, asset impairment costs, and costs to transfer usable inventory and equipment.

Germany Plan

During the third quarter of 2007, the Company announced a plan (Germany Plan) to downsize its operations in Germany in an effort to remove excess capacity. During the first quarter of 2008, the plan was modified to initiate a full closure of operations in Germany in light of further declines in sales opportunities resulting from a fully mature market. For the six months ended June 30, 2009, the Company incurred total restructuring charges of $20: $40 in selling and administrative expense offset by income of $20 in service cost of sales. As of June 30, 2009, the Company anticipates remaining total costs to be approximately $362. The accrual balance as of June 30, 2009 was immaterial to the Company.

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There were no restructuring expenses related to the Company s ES & Other operating segment during the six months ended June 30, 2009 for the Germany Plan. Restructuring expenses for the Germany Plan are presented in the following table:

	DNA	DI
Total amount expected to be incurred		
Employee severance costs	$	$ 3,798
Other (1)	466	5,366
Total expected Costs	$ 466	$ 9,164
Amount incurred during the three months ended June 30, 2009		
Other (1)		(20)
Amount incurred during the six months ended June 30, 2009 Other (1)		
Other (1)		20
Amount incurred to date under the plan		
Employee severance costs	$	$ 3,657
Other (1)	466	5,145
Total costs incurred to date	$ 466	$ 8,802

(1) Other costs include consulting and legal fees, contract termination fees, penalties and asset impairment costs.

Reduction-In-Force (RIF) Plan

During the first quarter of 2008, the Company announced a plan to reduce its global workforce (RIF Plan), including consolidation of certain international facilities, in an effort to optimize overall operational performance. As of June 30, 2009, the Company anticipates remaining total costs of approximately $1,000 to be incurred through the end of 2009. For the six months ended June 30, 2009, the Company incurred total restructuring charges of $3,467: $144 in product cost of sales; $1,866 in service cost of sales; and $1,480 in selling and administrative offset by income of $23 in research, development and engineering. Restructuring expenses for the RIF Plan are presented in the following table:

	DNA	DI	ES & Other
Total amount expected to be incurred			
Employee severance costs	$ 7,137	$ 15,270	$ 663
Other (1)		2,619	
Total expected costs	$ 7,137	$ 17,889	$ 663
Amount incurred during the three months ended June 30, 2009			
Employee severance costs	$ 1,673	$ 841	$
Other (1)		66	
	$ 1,673	$ 907	$
Amount incurred during the six months ended June 30, 2009			
Employee severance costs	$ 2,021	$ 1,380	$
Other (1)		66	
Total costs	$ 2,021	$ 1,446	$
Amount incurred to date under the plan			
Employee severance costs	$ 6,637	$ 14,770	$ 663
Other (1)		2,619	
Total costs incurred to date	$ 6,637	$ 17,389	$ 663

(1) Other costs include legal fees, contract termination fees and asset impairment costs.

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The restructuring accrual related to the RIF Plan is presented in the following table:

	Balance January 1, 2009	Liabilities incurred	Liabilities paid/settled	Balance June 30, 2009
Employee severance costs	$7,705	$3,401	$7,367	$ 3,739
Other	1,982	66		2,048
Total	$9,687	$3,467	$7,367	$ 5,787

Newark Plan

During the second quarter of 2008, the Company announced a plan (Newark Plan) to close its manufacturing facility in Newark, Ohio as part of its continued focus on its strategic global manufacturing realignment. As of June 30, 2009, the Company anticipates remaining total costs related to the closure of this facility to be approximately $803. The Company anticipates the closure of this facility to be substantially complete by the end of 2009. For the six months ended June 30, 2009, the Company incurred $1,304 in product cost of sales.

There were no restructuring expenses related to the Company s DI and ES & Other operating segments during the six months ended June 30, 2009 for the Newark Plan. Restructuring expenses for the Newark Plan are presented in the following table:

	DNA
Total amount expected to be incurred	
Employee severance costs	$ 1,141
Other (1)	10,091
Total expected costs	$ 11,232
Amount incurred during the three months ended June 30, 2009	
Employee severance costs	$ 130
Other (1)	228
Total costs	$ 358
Amount incurred during the six months ended June 30, 2009	
Employee severance costs	$ 173
Other (1)	1,131
Total costs	$ 1,304
Amount incurred to date under the plan	

Employee severance costs	$ 1,141
Other (1)	9,288
Total costs incurred to date	$ 10,429

(1) Other costs include pension obligation, legal and professional fees, travel, training, asset movement and cost of facility.

The restructuring accrual related to the Newark Plan is presented in the following table:

	Balance January 1, 2009	**Liabilities incurred**	**Liabilities paid/settled**	**Balance June 30, 2009**
Employee severance costs	$ 602	$ 173	$ 529	$ 246
Other	6,735	1,131	1,131	6,735
Total	$7,337	$1,304	$1,660	$ 6,981

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Other Restructuring Charges

During the six months ended June 30, 2009, the Company incurred other restructuring charges of $2,775: $66 in product cost of sales; $1,554 in service cost of sales; and $1,155 in selling and administrative. Of these charges, $1,003 was incurred in the DNA segment and $1,772 was incurred in the DI segment. The majority of charges in the DI segment were employee severance costs related to the sale of certain assets and liabilities in Argentina.

Other Charges

During the three months ended June 30, 2009, non-routine income was $1,323 associated with expense recovery and reimbursement from D&O insurance carriers related to the U.S. Securities and Exchange Commission (SEC) and U.S. Department of Justice (DOJ) investigations (government investigations). The three months ended June 30, 2008 included non-routine expenses of $8,459, primarily from legal, audit and consultation fees related to the internal review of other accounting items, restatement of financial statements, government investigations and other advisory fees.

Non-routine expenses of $15,005 and $17,174 impacted the six months ended June 30, 2009 and 2008, respectively. During the six months ended June 30, 2009, the Company incurred non-routine expenses of $1,328 in legal and other consultation fees recorded in selling and administrative expense related to the government investigations and a $25,000 charge, recorded in miscellaneous net, related to an agreement in principle with the staff of the SEC to settle civil charges stemming from the staff s pending enforcement inquiry. The agreement in principle with the staff of the SEC remains subject to the final approval of the SEC, and there can be no assurance that the SEC will accept the terms of the settlement negotiated with the staff. In addition, the six months ended June 30, 2009 selling and administrative expense was offset by $11,323 of non-routine income, including $10,616 of reimbursements from the Company s director and officer (D&O) insurance carriers related to legal and other expenses incurred as part of the government investigations. The Company continues to pursue reimbursement of the remaining incurred legal and other expenditures with its D&O insurance carriers. Non-routine expenses for the six months ended June 30, 2008 were primarily from legal, audit and consultation fees related to the internal review of other accounting items, restatement of financial statements, government investigations and other advisory fees. Also, during the first half of 2008, the Company incurred an impairment charge of $4,376 related to the write down of intangible assets from the 2004 acquisition of TFE Technology Holdings, a maintenance provider of network and hardware service solutions to federal and state government agencies and commercial firms.

NOTE 11: FAIR VALUE OF ASSETS AND LIABILITIES

Effective January 1, 2008, the Company adopted SFAS 157 for its financial assets and liabilities, as required. In February 2008, the Financial Accounting Standards Board (FASB) issued FSP No. 157-2, which deferred the effective date of SFAS 157 for nonfinancial assets and liabilities except for those recognized or disclosed on a recurring basis. SFAS 157 establishes a common definition for fair value to be applied to GAAP guidance requiring the use of fair value, establishes a framework for measuring fair value, and expands disclosure requirements about such fair value measurements. The standard does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. The Company adopted FSP 157-2 on January 1, 2009 with respect to non-financial assets and liabilities that are measured at fair value. The adoption of FSP 157-2 had no impact on the condensed consolidated financial statements.

Effective April 1, 2009, the Company adopted three FSPs: FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, FSP FAS 115-2, FAS 124-2 and EITF 99-20-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, and FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. These FSPs clarify the guidance in SFAS 157 related to measuring fair-value in inactive markets, modifying the recognition and measurement of other-than-temporary impairments of debt securities, and requiring public companies to disclose the fair values of financial instruments in interim periods. The adoption of the FSPs did not have a material impact on the Company s condensed consolidated financial statements.

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

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

Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active or inputs, other than quoted prices in active markets, that are observable either directly or indirectly.

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

The Company measures its financial assets and liabilities using one or more of the following three valuation techniques outlined in SFAS 157:

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

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

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

Summary of Assets and Liabilities Recorded at Fair Market Value

The Company has no financial assets or liabilities for which fair value was measured using Level 3 inputs. Assets and liabilities subject to fair value measurement are as follows:

		Fair value measurements using	
	Fair value as of June 30, 2009	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Assets			
Short-term investments:			
Certificates of deposit	$ 143,893	$ 143,893	$
Foreign exchange forward contracts	573		573
Deferred compensation plan	7,851	7,851	
Total	$ 152,317	$ 151,744	$ 573
Liabilities			
Foreign exchange forward contracts	$ 3,836	$	$ 3,836

Interest rate swaps	3,719		3,719
Total	$ 7,555	$	$ 7,555

Short-Term Investments The Company has investments in certificates of deposit that are recorded at cost, which approximates fair value due to their short-term nature and lack of volatility.

Deferred Compensation Plan The fair value of the Company s deferred compensation plan is derived from investments in a mix of money market, fixed income and equity funds managed by Vanguard.

Foreign Exchange Forward Contracts A substantial portion of the Company s operations and revenues are international. As a result, changes in foreign exchange rates can create substantial foreign exchange gains and losses from the revaluation of non-functional currency monetary assets and liabilities. The foreign exchange contracts are valued using the market approach based on observable market transactions of forward rates.

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

Summary of Assets and Liabilities Recorded at Carrying Value

The fair value of the Company s cash and cash equivalents, trade receivables and accounts payable, approximates the carrying value due to the relative short maturity of these instruments.

The fair value and carrying value of the Company s debt instruments as of June 30, 2009 are summarized as follows:

	June 30, 2009	
	Fair value	Carrying value
Notes payable current	$ 276,639	$ 276,639
Notes payable long term	272,018	300,000
Total notes payable	$ 548,657	$ 576,639

The fair value of the Company s current debt instruments approximates the carrying value due to the relative short maturity of these instruments. The fair values of the Company s long term debt instruments were estimated using market observable inputs for the Company s comparable peers with public debt, including quoted prices in active markets, market indices and interest rate measurements. Within the hierarchy of fair value measurements, these are Level 2 fair values.

NOTE 12: SEGMENT INFORMATION

The Company s segments are comprised of its three main sales channels: DNA, DI and ES & Other. These sales channels are evaluated based on revenue from customers and operating profit contribution to the total corporation. The reconciliation between segment information and the condensed consolidated financial statements is disclosed. Revenue summaries by geographic segment and product and service solutions are also disclosed. All income and expense items below operating profit are not allocated to the segments and are not disclosed.

The DNA segment sells and services financial and retail systems in the United States and Canada. The DI segment sells and services financial and retail systems over the remainder of the globe. The ES & Other segment includes the operating results of Premier Election Solutions, Inc. and the voting and lottery related business in Brazil. Each of the sales channels buys the goods it sells from the Company s manufacturing plants or through external suppliers. Intercompany sales between legal entities are eliminated in consolidation and intersegment revenue is not significant. Each year, intercompany pricing is agreed upon which drives sales channel operating profit contribution. As permitted under SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, certain information not routinely used in the management of these segments, information not allocated back to the segments or information that is impractical to report is not shown. Items not allocated are as follows: interest income, interest expense, noncontrolling interests, discontinued operations, income tax expense or benefit and other non-current assets.

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The following table presents the Company s revenue by reportable segment for the three- and six-month periods ended June 30, 2009 and 2008, respectively.

	DNA	DI	ES & Other	Total
For the three months ended June 30, 2009				
Customer revenue	$ 362,454	$ 326,790	$ 11,252	$ 700,496
Operating profit (loss)	22,962	24,488	(3,066)	44,384
Capital expenditures	8,255	1,137	201	9,593
Depreciation	5,705	5,199	627	11,531
For the three months ended June 30, 2008				
Customer revenue	$ 390,048	$ 351,499	$ 27,129	$ 768,676
Operating profit	34,349	10,720	1,946	47,015
Capital expenditures	5,095	3,487	28	8,610
Depreciation	3,014	5,127	834	8,975
As of and for the six months ended June 30, 2009				
Customer revenue	$ 718,137	$ 627,531	$ 17,978	$1,363,646
Operating profit (loss)	43,497	49,383	(10,222)	82,658
Capital expenditures	14,829	6,871	437	22,137
Depreciation	11,564	10,971	1,211	23,746
Property, plant and equipment, at cost	437,411	156,673	13,947	608,031
Total assets	1,153,283	1,306,985	72,146	2,532,414
As of and for the six months ended June 30, 2008				
Customer revenue	$ 747,614	$ 667,856	$ 45,114	$1,460,584
Operating profit (loss)	48,488	20,654	(91)	69,051
Capital expenditures	10,438	9,179	161	19,778
Depreciation	9,234	10,012	1,687	20,933
Property, plant and equipment, at cost	419,088	164,149	12,863	596,100
Total assets	1,180,623	1,502,344	113,744	2,796,711

The following table presents the Company s revenue by geographic region for the three- and six-month periods ended June 30, 2009 and 2008, respectively.

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
The Americas	$ 527,991	$ 554,175	$ 1,021,239	$ 1,049,524

Asia Pacific	83,683	85,281	182,620	193,481
Europe, Middle East and Africa	88,822	129,220	159,787	217,579
Revenue from customers	$ 700,496	$ 768,676	$ 1,363,646	$ 1,460,584

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The following table presents the Company s revenue by product and service solution for the three- and six-month periods ended June 30, 2009 and 2008, respectively.

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Financial self-service:				
Products	$ 265,538	$ 259,193	$ 505,500	$ 488,318
Services	270,619	290,191	529,459	554,544
Total financial self-service	536,157	549,384	1,034,959	1,042,862
Security:				
Products	57,379	78,772	115,829	149,135
Services	95,708	113,391	194,880	223,473
Total security	153,087	192,163	310,709	372,608
Total financial self-service & security	689,244	741,547	1,345,668	1,415,470
Election systems:				
Products	3,099	17,173	5,393	22,873
Services	6,501	9,956	10,106	18,950
Total election systems	9,600	27,129	15,499	41,823
Lottery systems	1,652		2,479	3,291
Revenue from customers	$ 700,496	$ 768,676	$ 1,363,646	$ 1,460,584

NOTE 13: DISCONTINUED OPERATIONS

During the fourth quarter of 2008, the Company decided to discontinue its enterprise security operations in the Europe, Middle East & Africa region. Results of operations of this enterprise security business are included in loss from discontinued operations, net of tax of $155 and $2,024 for the three-month period ended June 30, 2009 and 2008, respectively, and $2,861 and $2,632 for the six-month period ended June 30, 2009 and 2008, respectively, in the Company s condensed consolidated statements of income. The Company does not anticipate incurring additional material charges associated with this closure.

NOTE 14: SUBSEQUENT EVENTS

The Company assessed events occurring subsequent to June 30, 2009 through August 7, 2009 for potential recognition and disclosure in the condensed consolidated financial statements. There were no events that have occurred which would require adjustment to or disclosure in the condensed consolidated financial statements, which were issued on August 7, 2009.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS as of June 30, 2009
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ITEM 2: MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Management s discussion and analysis is provided as a supplement and should be read in conjunction with the condensed consolidated financial statements and accompanying Notes that appear elsewhere in this quarterly report.

Introduction

Diebold, Incorporated is a global leader in providing integrated self-service delivery and security systems and services to the financial, retail, commercial and government markets. Founded in 1859, and celebrating 150 years of innovation in 2009, the Company today has more than 16,000 employees with representation in nearly 90 countries worldwide.

During the past three years, the Company s management continued to execute against its strategic roadmap developed in 2006 to strengthen operations and build a strong foundation for future success in its two core lines of business: financial self-service and security solutions. This roadmap was built around five key priorities: increase customer loyalty; improve quality; strengthen the supply chain; enhance communications and teamwork; and rebuild profitability. Looking to the remainder of 2009, the economic condition of Diebold s core markets in the financial industry continues to create a very challenging environment. Although the Company continues to see signs that the market has bottomed out and is beginning to stabilize, the Company does not expect any appreciable rebound in orders this year as spending continues to remain tight with financial customers and demand remains relatively weak. In light of the rapid changes taking place in the financial industry, the Company continues to evaluate its manufacturing footprint, its current lines of business and go-to-market strategies to strengthen its competitive position moving forward. Also, the Company will continue focusing on remediation of its material weaknesses in its internal controls. Total costs incurred for remediation efforts were approximately $800 and $2,200 in the three- and six-month periods ended June 30, 2009. Management estimates the total cost for remediation efforts to be approximately $4,100, which includes $3,400 of consultation fees and $700 of internal costs, including software purchases.

Income from continuing operations attributable to Diebold, Incorporated, net of tax, for the six months ended June 30, 2009 was $34,939 or $0.52 per share, down 19.9 percent and 21.2 percent, respectively, from the same period of 2008. Total revenue during the six months ended June 30, 2009 was $1,363,646, down 6.6 percent from the same period of 2008.

For the second quarter of 2009, income from continuing operations attributable to Diebold, Incorporated, net of tax, was $30,585 or $0.46 per share, up 4.6 percent and 4.5 percent, respectively, from the second quarter of 2008. Total revenue during the quarter was $700,496, down 8.9 percent from the second quarter of 2008. During the second quarter, the Company continued to experience solid market demand in Asia Pacific; however, in the Americas, financial self-service orders decreased more than 30 percent while orders in Europe, Middle East and Africa (EMEA) decreased more than 40 percent. Demand in the U.S. regional bank segment remained weak along with severe economic weakness in Russia and Eastern Europe. Specifically in the Company s security business, orders also decreased in the mid-20 percent range as new bank branch construction and retail store openings remain weak in the United States.

Vision and strategy

The Company s vision is, To be recognized as the essential partner in creating and implementing ideas that optimize convenience, efficiency and security. This vision is the guiding principle behind the Company s transformation of becoming a more services-oriented Company. Today, service comprises more than 50 percent of the Company s revenue, and the Company expects that this percentage will grow over time as the Company s integrated services business continues to gain traction in the marketplace. For example, financial institutions are eager to reduce costs and optimize management and productivity of their ATM channels and they are increasingly exploring outsourced solutions. The Company remains uniquely positioned to provide the infrastructure necessary to manage all aspects of an ATM network hardware, software, maintenance, transaction processing, patch management and cash management through its integrated product and services offerings. As evidence of the Company s success in delivering world-class services for financial institutions non-core operations, the Company was listed among the International Association of Outsourcing Professionals 10 best outsourcing providers within the service industry in the recently released 2009 Global Outsourcing 100 rankings. In addition to Best 10 leaders by Industry Focus: Services, the Company improved its overall position from the 2008 rankings in its third consecutive year on the list.

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Another area of focus within the financial self-service business is broadening the Company s deposit automation solutions set, including check imaging, envelope-free currency acceptance, teller automation, and payment and document imaging solutions. The Company s ImageWay® check-imaging solution fulfills an industry-wide demand for cutting-edge technologies that enhance efficiencies. In 2008, the Company solidified its competitive position in deposit automation technology with an increase in shipments of deposit automation solutions by more than 50 percent from 2007 and expanded its solutions set with the launch of a bulk-check deposit capability. During the second quarter of 2009, the large banks in the United States continued their brisk pace in deploying deposit automation. Along these lines, the Company launched its latest innovation in its family of deposit automation solutions with the newly developed Enhanced Note Acceptor (ENA), a cash accepting device for ATMs. The ENA enables the deposit of up to 50 mixed-denomination notes in an easy, envelope-free transaction that authenticates and validates deposits, quickly and accurately. These types of development investments remain critical even as the Company streamlines its business and aggressively attacks its cost structure.

Within the security business, the Company is diversifying by expanding and enhancing service offerings in its financial, government, commercial and retail markets. A critical area of focus is bringing thought leadership to customers while becoming a long-term business partner in the key growth areas of internet protocol security solutions, credential management, enterprise security integration and expanded integrated solutions. One customer relationship that characterizes the progress made in the government sector is the United States Postal Service s contract to implement a multi-site, technologically-advanced security program. This relationship underscores the Company s commitment to elevate its presence and security integration capabilities beyond the financial market, opening up new avenues of opportunity. As another example, during the second quarter the Company announced it delivered a comprehensive security system for the Lincoln Hall building on the campus of the National Defense University (NDU) in Washington, D.C. The Company led the project s design and implementation in conjunction with NDU engineers, the prime contractor, building architects, engineers and the Army Corps of Engineers. The overall solution involved a complement of electronic security systems, including advanced card readers, high definition cameras and their integration into a custom console and security monitoring center.

The focus during 2009 will be to continue to enhance and diversify the Company s offerings, realize synergies where sensible and make prudent decisions taking swift action wherever necessary to capture profitable growth opportunities. During the current global economic crisis, the Company will focus on what it can control providing customers with the most innovative and highest quality solutions and services, while maintaining an efficient cost structure.

The Company continues to face a variety of challenges and opportunities in responding to customer needs within the election systems market. While the Company fully supports its subsidiary, Premier Election Solutions, Inc. (PESI), it continues to pursue strategic alternatives to ownership of the subsidiary.

Cost savings initiatives

In 2006, the Company launched the SmartBusiness (SB) 100 initiative to deliver $100,000 in cost savings by the end of 2008. This key milestone was achieved in November 2008 with significant progress made in areas such as rationalization of product development, streamlining procurement, realigning the Company s manufacturing footprint and improving logistics.

In September 2008, the Company announced a new goal to achieve an additional $100,000 in cost savings called SB 200 with a goal of eliminating $70,000 by the middle of 2010 and the remainder to be eliminated by the end of 2011. In 2009, in the face of this changing environment, the Company is accelerating its cost-reduction initiatives with the goal to eliminate $30,000 to $35,000 by the end of 2009.

The Company is committed to making the strategic decisions that not only streamline operations, but also enhance its ability to serve its customers. The Company remains confident in the ability to continue to execute on cost-reduction initiatives, delivering solutions that help improve customers businesses and creating shareholder value.

During the three and six months ended June 30, 2009, the Company incurred restructuring charges of $4,000 or $0.05 per share and $8,456 or $0.10 per share, respectively. The majority of these charges were related to the sale of the Company s direct operation in Argentina and severance costs from the previously announced 2008 reduction in the Company s global workforce. As previously disclosed, the Company closed its enterprise security operations in the EMEA region during the fourth quarter of 2008. As a result, the Company recorded a second quarter 2009 loss from discontinued operations, net of tax of $155, compared to a loss from discontinued

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operations, net of tax of $2,024 in the second quarter of 2008. For the six months ended June 30, 2009, the Company recorded loss from discontinued operations, net of tax of $3,393 compared to $3,016 in the same period of 2008.

Other Charges

During the three months ended June 30, 2009, non-routine income was $1,323 associated with expense recovery and reimbursement from D&O insurance carriers related to the U.S. Securities and Exchange Commission (SEC) and U.S. Department of Justice (DOJ) investigations (government investigations). The three months ended June 30, 2008 included non-routine expenses of $8,459, primarily from legal, audit and consultation fees related to the internal review of other accounting items, restatement of financial statements, government investigations and other advisory fees.

Non-routine expenses of $15,005 and $17,174 impacted the six months ended June 30, 2009 and 2008, respectively. During the six months ended June 30, 2009, the Company incurred non-routine expenses of $1,328 in legal and other consultation fees recorded in selling and administrative expense related to the government investigations and a $25,000 charge, recorded in miscellaneous net, related to an agreement in principle with the staff of the SEC to settle civil charges stemming from the staff s pending enforcement inquiry. The agreement in principle with the staff of the SEC remains subject to the final approval of the SEC, and there can be no assurance that the SEC will accept the terms of the settlement negotiated with the staff. In addition, the six months ended June 30, 2009 selling and administrative expense was offset by $11,323 of non-routine income, including $10,616 of reimbursements from the Company s director and officer (D&O) insurance carriers related to legal and other expenses incurred as part of the government investigations. The Company continues to pursue reimbursement of the remaining incurred legal and other expenditures with its D&O insurance carriers. Non-routine expenses for the six months ended June 30, 2008 were primarily from legal, audit and consultation fees related to the internal review of other accounting items, restatement of financial statements, government investigations and other advisory fees. Also, during the first half of 2008, the Company incurred an impairment charge of $4,376 related to the write down of intangible assets from the 2004 acquisition of TFE Technology Holdings, a maintenance provider of network and hardware service solutions to federal and state government agencies and commercial firms.

The following discussion of the Company s financial condition and results of operations provide information that will assist in understanding the financial statements and the changes in certain key items in those financial statements.

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

- timing of a self-service upgrade and/or replacement cycle in mature markets such as the United States;
- high levels of deployment growth for new self-service products in emerging markets, such as Asia Pacific;
- demand for new service offerings, including outsourcing or operating a network of ATMs; and
- demand beyond expectations for security products and services for the financial, retail and government sectors.

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RESULTS OF OPERATIONS

The following table summarizes the results of our operations for the three- and six-month periods ended June 30, 2009 and 2008:

	Three months ended June 30,				Six months ended June 30,			
	2009		2008		2009		2008	
	Dollars	% of Net sales	Dollars	% of Net sales	Dollars	% of Net sales	Dollars	% of Net sales
Net sales	$ 700,496	100.0	$ 768,676	100.0	$ 1,363,646	100.0	$ 1,460,584	100.0
Gross profit	172,796	24.7	193,127	25.1	324,832	23.8	365,689	25.0
Operating expenses	128,412	18.3	146,112	19.0	242,174	17.8	296,638	20.3
Operating profit	44,384	6.3	47,015	6.1	82,658	6.1	69,051	4.7
Income from continuing operations	31,869	4.5	30,516	4.0	38,332	2.8	46,657	3.2
Loss from discontinued operations net of tax	(155)		(2,024)	(0.3)	(2,861)	(0.2)	(2,632)	(0.2)
Net income attributable to noncontrolling interests	(1,284)	(0.2)	(1,278)	(0.2)	(3,393)	(0.2)	(3,016)	(0.2)
Net income attributable to Diebold, Incorporated	30,430	4.3	27,214	3.5	32,078	2.4	41,009	2.8
Diluted earnings per share:								
Net income from continuing operations	$ 0.46		$ 0.44		$ 0.52		$ 0.66	
Loss from discontinued operations			(0.03)		(0.04)		(0.04)	
Net income	$ 0.46		$ 0.41		$ 0.48		$ 0.62	

Second Quarter 2009 Comparisons with Second Quarter 2008

Net Sales

The following table represents information regarding our net sales for the three-month periods ended June 30, 2009 and 2008:

	Three months ended June 30,			
	2009	2008	$ Change	% Change
Net sales	$700,496	$768,676	$(68,180)	(8.9)

The decrease in net sales included a net negative currency impact of approximately $41,189. Financial self-service revenue in the second quarter of 2009 decreased by $13,227 or 2.4 percent compared to the same period of 2008. There was strong growth in the Americas of 6.3 percent due to growth in the Brazilian and North American geographies of 24.6 percent and 1.0 percent, respectively. The increase in Brazil resulted from an increase in shipments offset by a negative currency impact of 30.6 percentage points. Asia Pacific experienced growth of 7.1 percent, which was offset by a negative currency impact of 6.2 percentage points. There was an offsetting decrease in financial self-service revenue within EMEA of 31.2 percent. Security solutions revenue decreased by $39,076 or 20.3 percent from the second quarter of 2008 due to weakness in the North American banking segment which accounted for 60.8 percent of the decrease. Election systems sales decreased $17,529 or 64.6 percent compared to the second quarter of 2008 due to lower revenue in the U.S.-based election systems business of $14,686. The Brazilian lottery systems revenue was $1,652 versus no revenue in the second quarter of 2008.

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Gross Profit

The following table represents information regarding our gross profit for the three-month periods ended June 30, 2009 and 2008:

	Three months ended June 30, 2009	Three months ended June 30, 2008	$ Change/ % Point Change	% Change
Gross profit	$172,796	$193,127	$ (20,331)	(10.5)
Gross profit margin	24.7	25.1	(0.4)	

Product gross margin was 24.3 percent in the second quarter of 2009 compared to 26.7 percent in the same period of 2008. Benefits realized from the cost savings initiatives in the second quarter of 2009 were more than offset by unfavorable sales mix within North America. The unfavorable mix was driven by a significant reduction in U.S. regional bank revenue and higher U.S. national bank revenue. Additionally, product gross margin was adversely impacted by $868 of restructuring charges in the second quarter of 2009 and $3,519 in the same period of 2008. Service gross margin was 25.0 percent in the second quarter of 2009 compared to 23.8 percent in the same period of 2008. Restructuring charges included in service cost of sales were $1,798 for the second quarter of 2009 as compared to $3,847 in the same period of 2008. The year-over-year improvement in service margin was driven by continued productivity gains, lower fuel prices, and lower restructuring charges.

Operating Expenses

The following table represents information regarding our operating expenses for the three-month periods ended June 30, 2009 and 2008:

	Three months ended June 30, 2009	Three months ended June 30, 2008	$ Change	% Change
Selling and administrative expense	$ 110,571	$ 128,595	$ (18,024)	(14.0)
Research, development, and engineering expense	17,841	17,517	324	1.8
Total operating expenses	$ 128,412	$ 146,112	$ (17,700)	(12.1)

Selling and administrative expense was lower in the second quarter of 2009 due to lower non-routine expenses, strengthening of the U.S. dollar, and ongoing cost reduction efforts. In addition, there was non-routine income of $1,323 in the second quarter of 2009, which included a $616 reimbursement from the Company s D&O insurance carriers related to legal and other expenses incurred as part of the government investigations. The second quarter of 2008 included non-routine expenses of $8,459 compared to $0 in the same period of 2009. These non-routine expenses consisted of legal, audit and consultation fees primarily related to the internal review of other accounting items, restatement of financial statements and the ongoing government investigations and other advisory fees. Selling and administrative expense was adversely impacted by $1,357 of restructuring charges in the second quarter of 2009 compared to $3,633 of restructuring charges in the same period of 2008. Research, development, and engineering expense as a percent of net sales was 2.5 percent in the second quarter of 2009 compared to 2.3 percent in the same period of 2008.

Operating Profit

The following table represents information regarding our operating profit for the three-month periods ended June 30, 2009 and 2008:

	Three months ended June 30,		$ Change/	
	2009	2008	% Point Change	% Change
Operating profit	$44,384	$47,015	$ (2,631)	(5.6)
Operating profit margin	6.3	6.1	0.2	

The decrease in operating profit resulted from lower gross profit related to unfavorable product sales mix within North America,

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which was partially offset by lower operating expenses in the second quarter of 2009 resulting from lower non-routine expenses, strengthening of the U.S. dollar, and lower restructuring charges.

Other Income (Expense)

The following table represents information regarding our other income (expense) for the three-month periods ended June 30, 2009 and 2008:

	Three months ended June 30, 2009	Three months ended June 30, 2008	$ Change/ % Point Change	% Change
Investment income	$ 7,006	$ 6,437	$ 569	8.8
Interest expense	(7,786)	(10,399)	2,613	(25.1)
Miscellaneous, net	689	(2,242)	2,931	N/M
Other income (expense)	$ (91)	$ (6,204)	$ 6,113	(98.5)
Percentage of net sales		(0.8)	0.8	

The change in interest expense was due to lower interest rates and lower borrowing levels in the second quarter of 2009. The change in miscellaneous income (expense) resulted from lower foreign exchange loss of $394 in the second quarter of 2009 compared to foreign exchange loss of $1,934 in the same period of 2008.

Income from Continuing Operations

The following table represents information regarding our income from continuing operations for the three-month periods ended June 30, 2009 and 2008:

	Three months ended June 30, 2009	Three months ended June 30, 2008	$ Change/ % Point Change	% Change
Income from continuing operations	$31,869	$30,516	$ 1,353	4.4
Percent of net sales	4.5	4.0	0.5	
Effective tax rate	28.0	25.2	2.8	

The increase in net income from continuing operations was related to lower operating expenses and favorable other income (expense) offset by lower gross profit. The 2.8 percent increase in the effective tax rate for the three-month period ended June 30, 2009 was primarily due to discrete items relating to international contingencies.

Loss from Discontinued Operations

The following table represents information regarding our loss from discontinued operations for the three-month periods ended June 30, 2009 and 2008:

	Three months ended June 30, 2009	Three months ended June 30, 2008	$ Change/ % Point Change	% Change
Loss from discontinued operations, net of tax	$(155)	$(2,024)	$ 1,869	(92.3)
Percent of net sales		(0.3)	0.3	

Discontinued operations in the EMEA-based enterprise security business negatively impacted net income. This business was not achieving an acceptable level of profitability and, therefore, the operations were closed entirely.

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Net Income attributable to Diebold, Incorporated

The following table represents information regarding our net income for the three-month periods ended June 30, 2009 and 2008:

	Three months ended June 30,		$ Change/ % Point	%
	2009	2008	Change	Change
Net income attributable to Diebold, Incorporated	$30,430	$27,214	$ 3,216	11.8
Percent of net sales	4.3	3.5	0.8	

Based on the results from continuing and discontinued operations previously discussed, the Company reported net income of $30,430 and $27,214 for the three months ended June 30, 2009 and 2008, respectively.

Segment Analysis and Operating Profit Summary

Diebold North America (DNA) net sales of $362,454 for the second quarter of 2009 decreased $27,594 or 7.1 percent from the second quarter of 2008 net sales of $390,048. The decrease in DNA net sales was due to decreased revenue from the security solutions product and service offerings offset by increased financial self-service revenue. Diebold International (DI) net sales of $326,790 for the second quarter of 2009 decreased by $24,709 or 7.0 percent compared to the second quarter of 2008 net sales of $351,499. The decrease in DI net sales was due to lower revenue in all geographic regions except Brazil. Election Systems (ES) & Other net sales of $11,252 for the second quarter of 2009 decreased $15,877 or 58.5 percent from the second quarter of 2008 net sales of $27,129. The decrease was due to lower U.S.-based election systems revenue of $14,686 and lower Brazilian voting systems revenue of $2,843 offset by Brazilian lottery revenue, which increased $1,652.

DNA operating profit for the second quarter of 2009 decreased by $11,387 or 33.2 percent compared to the second quarter of 2008. The operating profit decrease occurred due to lower gross profit resulting from unfavorable mix related to a significant reduction in regional U.S. banking revenue and higher national account revenue. This gross profit decrease was partially offset by lower non-routine expenses and ongoing cost reduction efforts. DI operating profit for the second quarter of 2009 increased by $13,768 as a result of lower operating expenses, moving from an operating profit of $10,720 in the second quarter of 2008 to an operating profit of $24,488 in the second quarter of 2009. Operating profit for ES & Other decreased by $5,012, moving from an operating profit of $1,946 in the second quarter of 2008 to an operating loss of $3,066 in the second quarter of 2009. The decrease resulted from lower revenue and profitability for PESI and Brazilian voting solutions offset by Brazilian lottery revenue and profitability in the second quarter of 2009 that did not occur in the comparable period of 2008.

Refer to Note 12 to the condensed consolidated financial statements for further details of segment revenue and operating profit.

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Six Months Ended June 30, 2009 Comparisons with Six Months Ended June 30, 2008

Net Sales

The following table represents information regarding our net sales for the six-month periods ended June 30, 2009 and 2008:

	Six months ended June 30,			
	2009	**2008**	**$ Change**	**% Change**
Net sales	$1,363,646	$1,460,584	$(96,938)	(6.6)

The decrease in net sales included a net negative currency impact of approximately $83,044. Financial self-service revenue in the six-month period ended June 30, 2009 decreased by $7,903 or 0.8 percent over the same period of 2008. There was strong growth in the Americas of 7.7 percent due to growth in the Brazilian and North American geographies of 21.5 percent and 5.0 percent, respectively. The increase in Brazil resulted from an increase in shipments partially offset by a negative currency impact of 34.3 percentage points. There were offsetting decreases in financial self-service revenue within EMEA of 26.5 percent and Asia Pacific of 0.3 percent. The decrease in EMEA was due to lower volume in Russia and Eastern Europe including a negative currency impact of 9.6 percentage points. Security solutions revenue decreased by $61,899 or 16.6 percent from the six months ended June 30, 2008 due to weakness in the North American banking segment, which accounted for 68.8 percent of the decrease. Election systems sales decreased $26,324 or 62.9 percent compared to the first six months of 2008 due to lower revenue in the U.S.-based election systems business of $23,481. The Brazilian lottery systems revenue of $2,479 was down $812 from the first six months of 2008.

Gross Profit

The following table represents information regarding our gross profit for the six-month periods ended June 30, 2009 and 2008:

	Six months ended June 30,			
	2009	**2008**	**$ Change/ % Point Change**	**% Change**
Gross profit	$324,832	$365,689	$ (40,857)	(11.2)
Gross profit margin	23.8	25.0	(1.2)	

Product gross margin was 24.3 percent in the first six months of 2009 compared to 27.7 percent in the same period of 2008. Benefits realized from the cost savings initiatives in the six months ended June 30, 2009 were more than offset by unfavorable sales mix within North America, lower volume in EMEA Russia and Eastern Europe, and lower absorption. The unfavorable mix was driven by a significant reduction in regional U.S. banking revenue and significantly higher national account revenue. Additionally, product gross margin was adversely impacted by $2,404 of restructuring charges in the first six months of 2009 and $4,821 in the same period of 2008. Service gross margin was 23.4 percent in the first six months of 2009 compared to 22.8 percent in the same period of 2008 due to increased productivity and cost savings that were partially offset by lower revenue and related margins in Brazil from an outsourcing customer and from PESI. Restructuring charges of $3,400 were included in service cost of sales for the first six months of 2009 as compared to $4,730 in the same period of 2008.

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Operating Expenses

The following table represents information regarding our operating expenses for the six-month periods ended June 30, 2009 and 2008:

	Six months ended June 30,			
	2009	**2008**	**$ Change**	**% Change**
Selling and administrative expense	$ 207,862	$ 255,604	$ (47,742)	(18.7)
Research, development, and engineering expense	34,312	36,658	(2,346)	(6.4)
Impairment of assets		4,376	(4,376)	(100.0)
Total operating expenses	$ 242,174	$ 296,638	$ (54,464)	(18.4)

Selling and administrative expense was lower in the first six months of 2009 due to lower non-routine expenses of $15,846, strengthening of the U.S. dollar and non-routine income of $11,323, which included $10,616 of reimbursements from the Company s D&O insurance carriers related to legal and other expenses incurred as part of the government investigations, and ongoing cost reduction efforts. Non-routine expenses were lower as 2009 included $1,328 of non-routine expenses as compared to $17,174 in 2008. These non-routine expenses consisted of legal, audit and consultation fees primarily related to the internal review of other accounting items, restatement of financial statements and the ongoing government investigations and other advisory fees. Selling and administrative expense was also adversely impacted by $2,675 of restructuring charges in the first six months of 2009 compared to $4,926 of restructuring charges in the same period of 2008. Research, development, and engineering expense as a percent of net sales was 2.5 percent in the first six months of 2009 and 2.5 percent in the same period of 2008. The Company incurred a charge of $4,376 for the impairment of assets in the six months ended June 30, 2008 related to the write down of intangible assets from the 2004 acquisition of TFE Technology Holdings, a maintenance provider of network and hardware service solutions to federal and state government agencies and commercial firms.

Operating Profit

The following table represents information regarding our operating profit for the six-month periods ended June 30, 2009 and 2008:

	Six months ended June 30,			
	2009	**2008**	**$ Change/ % Point Change**	**% Change**
Operating profit	$82,658	$69,051	$ 13,607	19.7
Operating profit margin	6.1	4.7	1.4	

The increase in operating profit resulted from lower operating expenses in the first six months of 2009 due to lower non-routine expenses, strengthening of the U.S. dollar, a $10,616 reimbursement from the Company s D&O insurance carriers related to legal and other expenses incurred as part of the government investigations, and the Company s ongoing cost reduction efforts. These benefits were offset by lower gross profit related to unfavorable product sales mix within North America and a decrease in service revenue.

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Other Income (Expense)

The following table represents information regarding our other income (expense) for the six-month periods ended June 30, 2009 and 2008:

	Six months ended June 30, 2009	Six months ended June 30, 2008	$ Change/ % Point Change	% Change
Investment income	$ 12,832	$ 12,966	$ (134)	(1.0)
Interest expense	(17,744)	(21,187)	3,443	(16.3)
Miscellaneous, net	(24,854)	1,786	(26,640)	N/M
Other income (expense)	$ (29,766)	$ (6,435)	$ (23,331)	362.6
Percentage of net sales	(2.2)	(0.4)	(1.8)	

Interest expense decreased due to lower interest rates and a lower debt position. The change in miscellaneous income (expense) was due to recording a charge of $25,000 in the first quarter of 2009 as the Company reached an agreement in principle with the staff of the SEC to settle the civil charges stemming from the staff s pending enforcement inquiry.

Income from Continuing Operations

The following table represents information regarding our income from continuing operations for the six-month periods ended June 30, 2009 and 2008:

	Six months ended June 30, 2009	Six months ended June 30, 2008	$ Change/ % Point Change	% Change
Income from continuing operations	$38,332	$46,657	$ (8,325)	(17.8)
Percent of net sales	2.8	3.2	(0.4)	
Effective tax rate	27.5	25.5	2.0	

The decrease in net income from continuing operations was related to unfavorable other income (expense) and lower gross profit partially offset by lower operating expenses. The effective tax rate for the six-month period ended June 30, 2009 increased by 2.0 percent primarily due to discrete items relating to international contingencies. In addition, the effective tax rate for the six months ended June 30, 2009 increased due to a $25,000 non-deductible charge related to an agreement in principle with the SEC. This non-deductible charge will continue to negatively impact the tax rate in future quarters during 2009.

Loss from Discontinued Operations

The following table represents information regarding our loss from discontinued operations for the six-month periods ended June 30, 2009 and 2008:

	Six months ended June 30, 2009	Six months ended June 30, 2008	$ Change/ % Point Change	% Change
Loss from discontinued operations, net of tax	$(2,861)	$(2,632)	$ (229)	8.7
Percent of net sales	(0.2)	(0.2)		

Discontinued operations in the EMEA-based enterprise security business negatively impacted net income. This business was not achieving an acceptable level of profitability and, therefore, the operations were closed entirely.

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Net Income attributable to Diebold, Incorporated

The following table represents information regarding our net income for the six-month periods ended June 30, 2009 and 2008:

	Six months ended June 30,		$ Change/	
			% Point	%
	2009	**2008**	**Change**	**Change**
Net income attributable to Diebold, Incorporated	$32,078	$41,009	$ (8,931)	(21.8)
Percent of net sales	2.4	2.8	(0.4)	

Based on the results from continuing and discontinued operations previously discussed, the Company reported net income of $32,078 and $41,009 for the six months ended June 30, 2009 and 2008, respectively.

Segment Analysis and Operating Profit Summary

DNA net sales of $718,137 for the first six months of 2009 decreased $29,477 or 3.9 percent from the comparable period of 2008 net sales of $747,614. The decrease in DNA net sales was due to decreased revenue from the security solutions product and service offerings offset by increased financial self-service revenue. DI net sales of $627,531 for the first six months of 2009 decreased by $40,325 or 6.0 percent compared to the same period of 2008 net sales of $667,856. The decrease in DI net sales was due to lower revenue in all geographic regions except Brazil. Election Systems (ES) & Other net sales of $17,978 for the first six months of 2009 decreased $27,136 or 60.2 percent from the 2008 comparable period net sales of $45,114. The decrease was due to lower U.S.-based election systems revenue of $23,481 and Brazilian voting systems revenue of $2,843 and lower Brazilian lottery systems revenue of $812.

DNA operating profit for the first six months of 2009 decreased by $4,991 or 10.3 percent compared to the same period of 2008. Operating profit was favorably affected by the Company s ongoing cost reduction efforts, lower non-routine expenses and non-routine income in 2009, and a charge of $4,376 for the impairment of assets in the first six months of 2008. These benefits were offset by unfavorable mix related to a significant reduction in regional U.S. banking revenue and significantly higher national account revenue. DI operating profit for the first six months of 2009 increased by $28,729 as a result of lower operating expenses, moving from an operating profit of $20,654 in the first six months of 2008 to an operating profit of $49,383 in the first six months of 2009. Operating profit for ES & Other decreased by $10,131, moving from an operating loss of $91 in the first six months of 2008 to an operating loss of $10,223 in the same period of 2009. The decrease resulted from lower revenue and profitability for PESI.

Refer to Note 12 to the condensed consolidated financial statements for further details of segment revenue and operating profit.

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LIQUIDITY AND CAPITAL RESOURCES

Capital resources are obtained from income retained in the business, issuance of the Company s senior notes, borrowings under the committed and uncommitted credit facilities, long-term industrial revenue bonds, and operating and capital leasing arrangements. Management expects that the Company s capital resources will be sufficient to finance planned working capital needs, investments in facilities or equipment, dividends and the purchase of the Company s common shares for at least the next twelve months. Part of the Company s growth strategy is to pursue strategic acquisitions. The Company has made acquisitions in the past and intends to make acquisitions in the future. The Company intends to finance any future acquisitions with either cash provided from operations, borrowings under available credit facilities, proceeds from debt or equity offerings and/or the issuance of common shares.

The following table summarizes the results of our condensed consolidated statement of cash flows for the six-month periods ended June 30, 2009 and 2008:

	Six months ended June 30,		
	2009	**2008**	**$ Change**
Net cash flow provided (used) by:			
Operating activities	$ 79,826	$ 9,652	$ 70,174
Investing activities	(49,893)	(66,833)	16,940
Financing activities	(65,865)	17,262	(83,127)
Effect of exchange rate changes on cash and cash equivalents	705	7,825	(7,120)
Net decrease in cash and cash equivalents	$ (35,227)	$ (32,094)	$ (3,133)

Net cash provided by operating activities was $79,826 in the six months ended June 30, 2009, an increase of $70,174 from $9,652 in the six months ended June 30, 2008. Cash flows from operating activities are generated mainly from net income and controlling the components of working capital. The primary reasons for the increase were changes in working capital and other assets and liabilities, partially offset by an $8,931 decrease in net income. Cash flows from operating activities during the six months ended June 30, 2009 were positively affected by changes in trade receivables, inventories and other current assets, partially offset by changes in accounts payable and certain other assets and liabilities. Trade receivables decreased by $54,122 in the first six months of 2009 as compared with an increase of $54,793 in first six months of 2008, due to lower revenue as well as improvement in cash collections. The decrease in inventories positively affected cash flows from operations by $17,016 in the first six months of 2009 compared with an increase of $44,082 in the same period of 2008. The change in inventories was the result of turns improving to 4.3 at June 30, 2009 from 3.9 at June 30, 2008, as well as decreased inventory levels due to declines in demand, primarily in EMEA and Election Systems. The decrease in other current assets (primarily deposits, payments in advance to suppliers and value added taxes) positively affected cash flows from operations by $22,956 in the first six months of 2009 compared with an increase of $17,371 in the same period of 2008. Accounts payable decreased by $53,559 in the first six months of 2009 as compared with an increase of $18,425 in the first six months of 2008 due to the timing of payments primarily in the U.S. and EMEA as well as lower purchasing volume. Cash used by changes in certain assets and liabilities was $64,972 in the first six months of 2009 compared to $4,478 in the same period in 2008. The increase was primarily due to a $30,231 increase in finance receivables, a $19,453 increase in foreign currency translation and a $11,960 increase to pension plan contributions in the first six months of 2009 compared to the same period in 2008.

Net cash used for investing activities was $49,893 in the six months ended June 30, 2009, a decrease of $16,940 from $66,833 in the six months ended June 30, 2008. The decrease was primarily due to a $21,689 net change in investment activity, moving from net payments for purchases of $28,069 during the first six months of 2008 to $6,380 during the first six months of 2009. The decrease in cash outflow for investment activity was offset by a $2,359 increase in capital expenditures and a $1,631 increase in payments for acquisitions, net of cash acquired.

Net cash used by financing activities was $65,865 during the six months ended June 30, 2009, a decrease of $83,127 from $17,262 net cash provided during the six months ended June 30, 2008. The change was primarily due to a $79,391 net change in borrowing activity, moving from net borrowings of $50,532 during the first six months of 2008 to net repayments of $28,859 during the same period of 2009.

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In March 2006, the Company secured fixed-rate long-term financing of $300,000 through the issuance of senior notes in order to take advantage of attractive long-term interest rates. The maturity dates of the senior notes are staggered, with $75,000, $175,000 and $50,000 becoming due in 2013, 2016 and 2018, respectively.

At June 30, 2009, the Company had U.S. dollar denominated senior notes outstanding of $300,000, U.S. dollar denominated outstanding bank credit lines approximating $192,276, euro denominated outstanding bank credit lines approximating 50,142 (translated at $70,377) and Indian rupee denominated outstanding bank credit lines approximating 670,000 (translated at $13,986). As of June 30, 2009, an additional $250,155 was available under committed credit line agreements, and $42,854 was available under uncommitted lines of credit.

The Company s credit facility expires on April 27, 2010 and the Company has begun the renewal process with a target to finalize a replacement credit facility by the end of October 2009. The private placement investors and financial institutions continue to express support in meeting the credit needs of the Company. The Company believes that its financial position and strong relationships with its credit group should help facilitate the renewal process, though there can be no assurance that the Company will be able to renew the credit facility on commercially acceptable terms. Because the expiration date occurs in less than one year, the outstanding balance on the Company s credit facility of $260,377 was reclassified from notes payable long-term to notes payable current as of June 30, 2009. The Company plans to reclassify the credit facility balance back to notes payable long term, upon completion of the renewal process.

Except for the credit facility reclassification noted above, all contractual cash obligations with initial and remaining terms in excess of one year and contingent liabilities remained generally unchanged at June 30, 2009 compared to December 31, 2008.

The Company s financing agreements contain various restrictive financial covenants, including net debt to capitalization and interest coverage ratios. As of June 30, 2009, the Company was in compliance with the financial covenants in its debt agreements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management s discussion and analysis of the Company s financial condition and results of operations is based upon the Company s 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 the value of purchase consideration, valuation of trade receivables, inventories, goodwill, intangible assets, and other long-lived assets, legal contingencies, guarantee obligations, indemnifications, and assumptions used in the calculation of income taxes, pension and other postretirement benefits, and customer incentives, among others. These estimates and assumptions are based on management s best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic difficulties in the United States credit markets and the global markets. Management monitors the economic condition and other factors and will adjust such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets, volatile foreign currency and equity, and declines in the global economic environment have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Management believes there have been no significant changes during the three- and six-month periods ended June 30, 2009 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, 2008.

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RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Standards (SFAS) No. 168 (SFAS 168), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of SFAS No. 162* (SFAS 162). The statement confirmed that the *FASB Accounting Standards Codification* (the Codification) will become the single official source of authoritative U.S. GAAP (other than guidance issued by the SEC, superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force (EITF), and related literature). After that date, only one level of authoritative U.S. GAAP will exist. All other literature will be considered non-authoritative. The Codification does not change U.S. GAAP; instead, it introduces a new structure that is organized in an easily accessible, user-friendly online research system. The Codification, which changes the referencing of financial standards, becomes effective for interim and annual periods ending on or after September 15, 2009. The Company will apply the Codification to the financial statement disclosures beginning in the third quarter of 2009.

In June 2009, the FASB issued SFAS No. 166 (SFAS 166), *Accounting for Transfers of Financial Assets an amendment of SFAS No. 140* (SFAS 140). SFAS 166 requires additional disclosures about the transfer and derecognition of financial assets and eliminates the concept of qualifying special-purpose entities under SFAS No. 140. SFAS 166 is effective for fiscal years beginning after November 15, 2009. The adoption of SFAS 166 is not expected to have an impact on the Company s consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167 (SFAS 167), *Amendments to FASB Interpretation No. 46(R),* which amends Interpretation 46(R) to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. In addition, SFAS 167 amends Interpretation 46(R) to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity. SFAS 167 amends certain guidance in Interpretation 46(R) for determining whether an entity is a variable interest entity and adds an additional reconsideration event for determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that the holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity s economic performance. Further, SFAS 167 requires enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise s involvement in a variable interest entity. SFAS 167 is effective as of the beginning of the first annual reporting period and interim reporting periods that begin after November 15, 2009. The adoption of SFAS 167 is not expected to have an impact on the Company s consolidated financial statements.

In December 2008, the FASB issued Financial Accounting Standards Board Staff Position (FSP) No. 132(R)-1 (FSP 132(R)-1), *Employers Disclosures about Postretirement Benefit Plan Assets*, which amends the SFAS No. 132 (revised 2003), *Employers Disclosures about Pensions and Other Postretirement Benefits*. FSP 132(R)-1 provides guidance on an employer s disclosures about plan assets of a defined benefit pension or other postretirement plan. It requires companies to disclose more information about how investment allocation decisions are made; major categories of plan assets, including concentrations of risk and fair-value measurements, and the fair-value techniques and inputs used to measure plan assets. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009. The Company will disclose the additional information required by FSP 132(R)-1 beginning in the fourth quarter 2009.

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:

- ability to reach definitive agreements with the SEC and DOJ regarding their respective investigations;
- 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;
- the effects of the sub-prime mortgage crisis and the disruptions 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 amount of cash and non-cash charges in connection with the closure of the Company s Newark, Ohio facility, and the closure of the Company s EMEA-based enterprise security operations;
- unanticipated litigation, claims or assessments;
- variations in consumer demand for financial self-service technologies, products and services;
- challenges raised about reliability and security of the Company s election systems products, including the risk that such products will not be certified for use or will be decertified;
- changes in laws regarding the Company s election systems 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;
- the Company s ability to successfully execute its strategy related to the election systems business; and
- the Company s ability to achieve benefits from its cost-reduction initiatives and other strategic changes.

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ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to foreign currency exchange rate risk inherent in its international operations denominated in currencies other than the U.S. dollar. A hypothetical 10 percent movement in the applicable foreign exchange rates would have resulted in an increase or decrease in 2009 year-to-date operating profit of approximately $5,087. The sensitivity model assumes an instantaneous, parallel shift in the foreign currency exchange rates. Exchange rates rarely move in the same direction. The assumption that exchange rates change in an instantaneous or parallel fashion may overstate the impact of changing exchange rates on amounts denominated in a foreign currency.

The Company s risk-management strategy uses derivative financial instruments such as forwards to hedge certain foreign currency exposures. The intent is to offset gains and losses that occur on the underlying exposures, with gains and losses on the derivative contracts hedging these exposures. The Company does not enter into derivatives for trading purposes. The Company s primary exposures to foreign exchange risk are movements in the dollar/euro, pound/dollar, dollar/franc and dollar/real rates. For the three and six months ended June 30, 2009, there were no significant changes in the Company s foreign exchange risks compared with the prior period.

The Company manages interest rate risk with the use of variable rate borrowings under its committed and uncommitted credit facilities and interest rate swaps. Variable rate borrowings under the credit facilities totaled $310,963 at June 30, 2009, of which $50,000 was effectively converted to fixed rate using interest rate swaps. A one percentage point increase or decrease in interest rates would have resulted in an increase or decrease in interest expense for the three and six months ended June 30, 2009 of approximately $775 and $1,526, respectively, on the variable debt including the impact of the swap agreements. The Company s primary exposure to interest rate risk is movement in the three month LIBOR. As discussed in Note 9 to the condensed consolidated financial statements, the Company hedged $200,000 of the fixed rate borrowings under its senior notes, which was treated as a cash flow hedge. This reduced the effective interest rate by 14 basis points from 5.50 to 5.36 percent.

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ITEM 4: CONTROLS AND PROCEDURES

This quarterly report includes the certifications of our chief executive officer (CEO) and interim chief financial officer (CFO) required by Rule 13a-14 of 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.

INTRODUCTION

During 2008, management spent considerable time and resources performing extensive and additional analyses and substantive procedures to support the audit process to complete five sets of financial statements for each of the periods from the second quarter of 2007 through the second quarter of 2008 to become a current filer with the SEC. In light of these efforts, management was unable to remediate all of its material weaknesses; however, we continue to invest significant time and resources to engage in actions to remediate weaknesses in our internal control over financial reporting. Based on the extensive and additional analyses and substantive procedures performed by management that are designed to facilitate the reliability of financial reporting but that are not part of the internal control over 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. Refer to Note 1 in the Notes to condensed consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

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

In connection with the preparation of this quarterly report, the Company s management, under the supervision and with the participation of the CEO and CFO, conducted an evaluation of disclosure controls and procedures, including the remedial actions described below, as of the end of the period covered by this report. Based on that evaluation, certain material weaknesses in internal control over financial reporting, as discussed in detail below and disclosed in previous filings, have not been remediated. As a result, the CEO and CFO concluded that the Company s disclosure controls and procedures were not effective as of June 30, 2009, and through the filing of this quarterly report. As described in detail throughout this Item 4, the Company s management continues to take actions to remediate material weaknesses in our internal control over financial reporting.

We continue to use our management certification process to identify matters that might require disclosure and to encourage transparency and accountability with respect to the accuracy of our disclosures in order to strengthen our disclosure controls and procedures. Our process requires multiple levels of management to provide sub-certifications, all of which are aggregated and reported to the CEO and CFO for assessment prior to the filing of the quarterly condensed consolidated financial statements. We utilized this process in preparing this quarterly report.

Management notes that the following previously identified control deficiencies constitute material weaknesses as of June 30, 2009:

<u>Selection, Application and Communication of Accounting Policies</u>: The Company does not have sufficient evidence related to consistent application of recently issued accounting policies and procedures.

<u>Manual Journal Entries:</u> The Company did not maintain effective controls over manual journal entries. Specifically, the retention of proper supporting documentation as well as managerial review and approval procedures, which are designed to validate the completeness, accuracy and appropriateness of the entries recorded in the accounting records, were not operating effectively. Further, the Company did not have sufficient monitoring activities in place to detect when controls over manual journal entries were not operating effectively.

<u>Account Reconciliations</u>: The Company s controls over account reconciliation controls were not operating effectively. Specifically, the issues that occurred in various accounts involved the Company personnel not taking the steps necessary for an adequate reconciliation in accordance with the Company s policy. Among some of the issues noted

were associates not maintaining supporting documentation, performance of the account reconciliation not occurring timely and/or management review and approval of the

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reconciliation not occurring timely. In addition, the Company did not have sufficient monitoring activities in place to timely detect when controls over account reconciliations were not operating effectively.

These material weaknesses resulted in material errors in the Company s historical financial statements. These material errors were corrected by management prior to the issuance of the Company s consolidated financial statements for the applicable periods.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As previously disclosed under Item 9A Controls and Procedures in our annual report on Form 10-K for the year ended December, 31, 2008, management concluded that our internal control over financial reporting was not effective based on the material weaknesses identified. Management has worked on remediation efforts since the filing of that annual report.

During the quarter ended June 30, 2009, management made the following changes in our internal control over financial reporting related to our four previously reported material weaknesses:

Selection, Application and Communication of Accounting Policies: Through the date of this filing, management issued and conducted training on global accounting policies relating to: 1) Financial Statement Analytical Reviews; 2) Non-Routine Contractual Agreements; 3) Trade Receivables and Allowance for Doubtful Accounts; 4) Inventory and Related Reserves; 5) Prepaid Expenses and Other Current Assets; and 6) Accrued Liabilities, Commitments and Contingencies, to clarify requirements related to the appropriate accounting in each of these areas to facilitate global compliance with U.S. GAAP requirements. These policies formalized the Company s previously communicated requirements and extensive training was conducted throughout the Company at all levels.

Manual Journal Entries: Management continued to enforce policies and procedures to manually monitor compliance with its global journal entry accounting policy, which governs requirements for support, review and approval of manual journal entries by conducting global training sessions on the policy and procedures throughout the quarter ended June 30, 2009. Through the date of this filing, the Company has completed the implementation of system application control functionality, which automates and requires manual journal entry approvals prior to posting an entry, within its global accounting close process in DNA, Corporate, Brazil, Australia, Thailand, and substantially all entities in the EMEA business unit, to systematically enforce the Company s policy, and prevents the posting of journal entries not approved in accordance with the policy. In addition, as part of our standard period-end financial closing procedures, management continued to enhance the monitoring process and controls related to manual journal entries by continuing to conduct proper managerial reviews and approvals for completeness, accuracy, and appropriateness of the entries recorded in the accounting records.

Contractual Agreements: Management completed the implementation phase related to standardized processes supported by a new global non-routine contractual agreement database for non-routine contractual agreements. This central database enables effective monitoring, updating, and disseminating of these contractual agreements to facilitate a complete and timely review by appropriate accounting and other relevant personnel. The implementation of these additional controls have facilitated management s review and accounting evaluation related to existence, completeness, approval, review, and retention of global non-routine contractual agreements amongst its various functional departments.

Account Reconciliations: Management continues to enforce policies and procedures to manually monitor compliance with its global account reconciliation policy, which governs requirements for content, format, and review and approval of balance sheet account reconciliations, by conducting global training sessions throughout the quarter ended June 30, 2009. Management has continued its implementation of a global account reconciliation database and compliance monitoring tool (account reconciliation database) related to existence, completeness, accuracy and retention of account reconciliations. In the second quarter of 2009, the account reconciliation database was fully utilized by Corporate, substantially all DNA entities, Brazil, China, Australia, Mexico, Thailand, Premier Election Solutions, and almost all entities in the EMEA business unit, to complete their account reconciliations. Also, the setup and beginning of deployment of the account reconciliation database was completed for several smaller entities in

EMEA and in India. In addition, as part of our standard period end financial closing procedures, management enhanced the monitoring process and controls related to account reconciliations by developing a monthly monitoring report of certain key information. Each entity is required to provide the monthly monitoring report to Corporate Accounting related to timely completion with proper managerial reviews and approvals of the completeness, accuracy, and appropriateness of the account reconciliations for the entity, and this report enables management to timely detect when controls over account reconciliations are not operating effectively.

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(In thousands)

REMEDIATION STEPS TO ADDRESS MATERIAL WEAKNESSES

Management is committed to remediating our material weaknesses in a timely fashion. Our Sarbanes-Oxley compliance function is responsible for helping to monitor our short-term and long-term remediation plans. In addition, we have assigned an executive owner to direct the necessary remedial changes to the overall design of our internal control over financial reporting and to address the root causes of our material weaknesses. Our leadership team is committed to achieving and maintaining a strong control environment, high ethical standards and financial reporting integrity. This commitment will continue to be communicated to and reinforced with our associates.

Our remediation efforts, outlined below, are intended to address the identified material weaknesses in internal control over financial reporting.

The Company s management believes the remediation measures described below will remediate the identified control deficiencies and strengthen the Company s internal control over financial reporting. As management continues to evaluate and work to improve its internal control over financial reporting, it may be determined that additional measures must be taken to address control deficiencies or it may be determined that the Company needs to modify, or in appropriate circumstances not to complete, certain of the remediation measures described below.

Selection, Application and Communication of Accounting Policies: At this time, the Company has completed remediation efforts related to the issuance of certain accounting policies pertaining to analytical reviews, non-routine contractual agreements, accounting for trade receivables and allowance for doubtful accounts as well as inventory and related reserves, prepaid assets and other current assets, and accruals, commitments and contingencies, along with related training. The Company s management will conduct global reviews in order to obtain sufficient evidence relating to consistent application of these policies in order to fully remediate this material weakness. At this time, the Company anticipates that the remediation efforts will be fully implemented globally by the end of 2009.

Manual Journal Entries: Management is completing the implementation of systematic application controls for manual journal entry approvals within its global accounting close process in Mexico, China, India, and several smaller entities in EMEA early in the quarter ended September 30, 2009. In addition, as part of our standard period end financial closing procedures, management will continue to enhance the monitoring process and controls related to manual journal entry approvals by continuing to conduct proper managerial reviews and approvals of the completeness, accuracy, and appropriateness of the entries recorded in the accounting records. At this time, the Company anticipates that the remediation efforts will be fully implemented globally by the end of 2009.

Account Reconciliations: Management plans to continue global deployment of its account reconciliation database related to existence, completeness, accuracy and retention of account reconciliations for several smaller entities in EMEA and in India for completion in the quarter ended September 30, 2009. At this time, the Company anticipates that the remediation efforts will be fully implemented globally by the end of 2009. In the meantime, management utilizes manual monitoring processes to assure that reconciliations are completed, reviewed and approved in a timely fashion.

The three material weaknesses identified by management and discussed above are not fully remediated as of the date of the filing of this quarterly report. Substantive procedures that are not a component of our internal control over financial reporting have been performed by the Company in consultation with external accounting advisors to assure the underlying transactions within this quarterly report are supported and the financial statements are fairly stated as of the date of the filing of this quarterly report. Under the direction of the Audit Committee, management has developed a detailed plan and timetable for the implementation of the above-referenced remedial measures, and will continue to monitor their implementation. In addition, under the direction of the Audit Committee, management will continue to review and make necessary changes to the overall design of our internal control over financial reporting, as well as policies and procedures to improve the overall effectiveness of our internal control over financial reporting.

Total costs incurred for remediation efforts were approximately $800 and $2,200 in the three- and six-month periods ended June 30, 2009. Management estimates the total cost for remediation efforts to be approximately $4,100, which includes $3,400 of consultation fees and $700 of internal costs, including software purchases.

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PART II OTHER INFORMATION
ITEM 1: LEGAL PROCEEDINGS
(Dollars in thousands)

At June 30, 2009, the Company was a party to several lawsuits that were incurred in the normal course of business, none of which individually or in the aggregate is considered material by management in relation to the Company s financial position or results of operations. In management s opinion, the Company s condensed consolidated financial statements would not be materially affected by the outcome of any present legal proceedings, commitments, or asserted claims.

In addition to the routine legal proceedings noted above, the Company has been served with various lawsuits, filed against it and certain current and former officers and directors, by shareholders and participants in the Company s 401(k) savings plan, alleging violations of the federal securities laws and breaches of fiduciary duties with respect to the 401(k) plan. These complaints seek compensatory damages in unspecified amounts, fees and expenses related to such lawsuits and the granting of extraordinary equitable and/or injunctive relief. For each of these lawsuits, the date each complaint was filed, the name of the plaintiff and the federal court in which such lawsuit is pending are as follows:

Konkol v. Diebold Inc., et al., No. 5:05CV2873 (N.D. Ohio, filed December 13, 2005).

Ziolkowski v. Diebold Inc., et al., No. 5:05CV2912 (N.D. Ohio, filed December 16, 2005).

New Jersey Carpenter s Pension Fund v. Diebold, Inc., No. 5:06CV40 (N.D. Ohio, filed January 6, 2006).

Rein v. Diebold, Inc., et al., No. 5:06CV296 (N.D. Ohio, filed February 9, 2006).

Graham v. Diebold, Inc., et al., No. 5:05CV2997 (N.D. Ohio, filed December 30, 2005).

McDermott v. Diebold, Inc., et al., No. 5:06CV170 (N.D. Ohio, filed January 24, 2006).

Barnett v. Diebold, Inc., et al., No. 5:06CV361 (N.D. Ohio, filed February 15, 2006).

Farrell v. Diebold, Inc., et al., No. 5:06CV307 (N.D. Ohio, filed February 8, 2006).

Forbes v. Diebold, Inc., et al., No. 5:06CV324 (N.D. Ohio, filed February 10, 2006).

Gromek v. Diebold, Inc., et al., No. 5:06CV579 (N.D. Ohio, filed March 14, 2006).

The *Konkol*, *Ziolkowski*, *New Jersey Carpenter s Pension Fund*, *Rein* and *Graham* cases, which allege violations of the federal securities laws, have been consolidated into a single proceeding. The *McDermott*, *Barnett*, *Farrell*, *Forbes* and *Gromek* cases, which allege breaches of fiduciary duties under the Employee Retirement Income Security Act of 1974 with respect to the 401(k) plan, likewise have been consolidated into a single proceeding. The Company and the individual defendants deny the allegations made against them, regard them as without merit, and intend to defend themselves vigorously. In May 2009, the Company agreed to settle the 401(k) class action litigation for $4,500, to be paid out of the Company s insurance policies. The settlement is subject to final documentation and approval of the court. On August 22, 2008, the court dismissed the consolidated amended complaint in the consolidated securities litigation and entered a judgment in favor of the defendants. On September 16, 2008, the plaintiffs in the consolidated securities litigation filed a notice of appeal with the U.S. Court of Appeals for the Sixth Circuit.

The Company, including certain of its subsidiaries, filed a lawsuit on May 30, 2008 (*Premier Election Solutions, Inc., et al. v. Board of Elections of Cuyahoga County, et al.*, Case No. 08-CV-05-7841, (Franklin Cty. Ct Common Pleas)) against the Board of Elections of Cuyahoga County, Ohio, the Board of County Commissioners of Cuyahoga County, Ohio, (collectively, the County), and Ohio Secretary of State Jennifer Brunner (Secretary) regarding several Ohio contracts under which the Company provided voting equipment and related services to the State of Ohio and a number of its counties. The lawsuit was precipitated by the County s threats to sue the Company for unspecified damages. The complaint seeks a declaration that the Company met its contractual obligations. In response, on July 15, 2008, the County filed an answer and counterclaim alleging that the voting system was defective and seeking declaratory relief and unspecified damages under several theories of recovery. In addition, the County is trying to pierce the Company s corporate veil and hold Diebold, Incorporated directly liable for acts and omissions alleged to have been committed by its subsidiaries (even though Diebold, Incorporated is not a party to the contracts.) The Secretary has also filed an answer and

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counterclaim seeking declaratory relief and unspecified damages under several theories of recovery. The Butler County Board of Elections has joined in, and incorporated by reference, the Secretary s counterclaim. The Company has not yet responded to the counterclaims.

The Company has filed motions to dismiss and for more definite statement of the counterclaims. The motions are fully briefed and are awaiting a decision by the court. The Secretary has also added ten Ohio counties as additional defendants, claiming that those counties also experienced problems with the voting systems, but many of those counties have moved for dismissal. In addition, the Secretary has moved the court for leave to add 37 additional Ohio counties who use the voting system as defendants, contending that they have an interest in the litigation and must be made parties. The Secretary s motion remains pending.

Management is unable to determine the financial statement impact, if any, of the federal securities class action and the electronic voting systems action.

The Company was informed during the first quarter of 2006 that the staff of the SEC had begun an informal inquiry relating to the Company s revenue recognition policy. In the second quarter of 2006, the Company was informed that the SEC s inquiry had been converted to a formal, non-public investigation. In the fourth quarter of 2007, the Company also learned that the DOJ had begun a parallel investigation. On May 1, 2009, the Company reached an agreement in principle with the staff of the SEC to settle civil charges stemming from the staff s pending investigation. In addition, the Company has been informed by the U.S. Attorney s Office for the Northern District of Ohio that it will not bring criminal charges against the Company for the transactions and accounting issues that are the subject of the SEC investigation.

Under the terms of the agreement in principle with the staff of the SEC, the Company will neither admit nor deny civil securities fraud charges, will pay a penalty of $25,000 and will agree to an injunction against committing or causing any violations or future violations of certain specified provisions of the federal securities laws. The agreement in principle with the staff of the SEC remains subject to the final approval of the SEC, and there can be no assurance that the SEC will accept the terms of the settlement negotiated with the staff.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Information concerning the Company s share repurchases made during the second quarter of 2009:

Period	**Total Number of Shares Purchased (1)**	**Average Price Paid Per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans (2)**	**Maximum Number of Shares that May Yet Be Purchased Under the Plans (2)**
April	1,027	$ 22.24		2,926,500
May	272	26.76		2,926,500
June	1,567	26.75		2,926,500
Total	2,866	$ 25.14		2,926,500

(1) Includes 1,027 shares in April,

272 shares in May and 1,567 shares in June surrendered or deemed surrendered to the Company in order to satisfy tax withholding obligations in connection with the distribution of common shares under employee share-based compensation plans.

(2) The total number of shares repurchased as part of the publicly announced share repurchase plan was 9,073,500 as of June 30, 2009. The plan was approved by the Board of Directors in April 1997 and authorized the repurchase of up to two million shares. The plan was amended in June 2004 to authorize the repurchase of an additional two million shares, and was further amended in August and December 2005 to authorize the repurchase of an additional six

million shares. On February 14, 2007, the Board of Directors approved an increase in the Company s share repurchase program by authorizing the repurchase of up to an additional two million of the Company s outstanding common shares. The plan has no expiration date.

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ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company s annual meeting of shareholders was held on April 23, 2009. At the meeting, the following actions were taken:

1. The nine nominees for director were elected by the following votes:

	For	Withheld
Philip R. Cox	43,698,035	17,399,541
Richard L. Crandall	42,517,584	18,579,993
Gale S. Fitzgerald	43,754,373	17,343,204
Phillip B. Lassiter	42,195,336	18,902,241
John N. Lauer	43,722,154	17,375,422
Eric J. Roorda	42,545,292	18,552,285
Thomas W. Swidarski	59,557,296	1,540,280
Henry D.G. Wallace	40,944,354	20,153,223
Alan J. Weber	42,520,026	18,577,551

2. Ratification of appointment of KPMG LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2009 was approved by the following vote:

For	Against	Abstain
59,862,829	1,063,948	170,797

3. The Company s 1991 Equity and Performance Incentive Plan (as Amended and Restated as of April 13, 2009) was approved by the following vote:

For	Against	Abstain
36,668,546	11,685,098	4,671,048

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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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 of Diebold, Incorporated (Commission File No. 1-4879)
3.2	Certificate of Amendment by Shareholders to Amended Articles of Incorporation of Diebold, Incorporated incorporated by reference to Exhibit 3.2 to Registrant s Form 10-Q for the quarter ended March 31, 1996 (Commission File No. 1-4879)
3.3	Certificate of Amendment to Amended Articles of Incorporation of Diebold, Incorporated incorporated by reference to Exhibit 3.3 to Registrant s Form 10-K for the year ended December 31, 1998 (Commission File No. 1-4879)
4.1	Rights Agreement dated as of February 11, 1999 between Diebold, Incorporated and The Bank of New York incorporated by reference to Exhibit 4.1 to Registrant s Registration Statement on Form 8-A, filed on February 2, 1999 (Commission File No. 1-4879)
*10.1	Form of Amended and Restated Employment Agreement incorporated by reference to Exhibit 10.1 to Registrant s Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
*10.5(i)	Supplemental Employee Retirement Plan I as amended and restated January 1, 2008 incorporated by reference to Exhibit 10.5(i) to Registrant s Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
*10.5(ii)	Supplemental Employee Retirement Plan II as amended and restated July 1, 2002 incorporated by reference to Exhibit 10.5(ii) to Registrant s Form 10-Q for the quarter ended September 30, 2002 (Commission File No. 1-4879)
*10.5(iii)	Pension Restoration Supplemental Executive Retirement Plan incorporated by reference to Exhibit 10.5(iii) to Registrant s Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
*10.5(iv)	Pension Supplemental Executive Retirement Plan incorporated by reference to Exhibit 10.5(iv) to Registrant s Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
*10.5(v)	401(k) Restoration Supplemental Executive Retirement Plan incorporated by reference to Exhibit 10.5(v) to Registrant s Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
*10.5(vi)	401(k) Supplemental Executive Retirement Plan incorporated by reference to Exhibit 10.5(vi) to Registrant s Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
*10.7(i)	

	1985 Deferred Compensation Plan for Directors of Diebold, Incorporated incorporated by reference to Exhibit 10.7(i) to Registrant s Annual Report on Form 10-K for the year ended December 31, 1992 (Commission File No. 1-4879)
*10.7(ii)	Amendment No. 1 to the Amended and Restated 1985 Deferred Compensation Plan for Directors of Diebold, Incorporated incorporated by reference to Exhibit 10.7 (ii) to Registrant s Form 10-Q for the quarter ended March 31, 1998 (Commission File No. 1-4879)
*10.7(iii)	Amendment No. 2 to the Amended and Restated 1985 Deferred Compensation Plan for Directors of Diebold, Incorporated incorporated by reference to Exhibit 10.7 (ii) to Registrant s Form 10-Q for the quarter ended March 31, 2003 (Commission File No. 1-4879)
*10.7(iv)	Deferred Compensation Plan No. 2 for Directors of Diebold, Incorporated incorporated by reference to Exhibit 10.7(iv) to Registrant s Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
*10.8	1991 Equity and Performance Incentive Plan (as Amended and Restated as of April 13, 2009) incorporated by reference to Exhibit 10.1 to Registrant s Form 8-K filed on April 29, 2009 (Commission File No. 1-4879)
*10.9	Long-Term Executive Incentive Plan incorporated by reference to Exhibit 10.9 to Registrant s Annual Report on Form 10-K for the year ended December 31, 1993 (Commission File No. 1-4879)
*10.10	Deferred Incentive Compensation Plan No. 2 incorporated by reference to Exhibit 10.10 to Registrant s Form 10-K

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	for the year ended December 31, 2008 (Commission File No. 1-4879)
*10.11	Annual Incentive Plan incorporated by reference to Exhibit 10.11 to Registrant s Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 1-4879)
*10.13(i)	Forms of Deferred Compensation Agreement and Amendment No. 1 to Deferred Compensation Agreement incorporated by reference to Exhibit 10.13 to Registrant s Annual Report on Form 10-K for the year ended December 31, 1996 (Commission File No. 1-4879)
*10.13(ii)	Section 162(m) Deferred Compensation Agreement (as amended and restated January 29, 1998) incorporated by reference to Exhibit 10.13 (ii) to Registrant s Form 10-Q for the quarter ended March 31, 1998 (Commission File No. 1-4879)
*10.14	Deferral of Stock Option Gains Plan incorporated by reference to Exhibit 10.14 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 1998 (Commission File No. 1-4879)
10.17(i)	Amended and Restated Loan Agreement dated as of April 30, 2003 among Diebold, Incorporated, the Subsidiary Borrowers, the Lenders and Bank One, N.A. incorporated by reference to Exhibit 10.17 to Registrant s Form 10-Q for the quarter ended June 30, 2003 (Commission File No. 1-4879)
10.17(ii)	First Amendment to Loan Agreement, dated as of April 28, 2004 among Diebold, Incorporated, the Subsidiary Borrowers, the Lenders and Bank One, N.A. incorporated by reference to Exhibit 10.17 (ii) to Registrant s Form 10-Q for the quarter ended June 30, 2004 (Commission File No. 1-4879)
10.17(iii)	Second Amendment to Loan Agreement, dated as of April 27, 2005 among Diebold, Incorporated, the Subsidiary Borrowers, the Lenders and JPMorgan Chase Bank N.A. (successor by merger to Bank One, N.A.) incorporated by reference to Exhibit 10.1 to Registrant s Form 8-K filed on May 3, 2005 (Commission File No. 1-4879)
10.17(iv)	Third Amendment to Loan Agreement, dated as of November 16, 2005 among Diebold, Incorporated, the Subsidiary Borrowers, the Lenders and JPMorgan Chase Bank N.A. (successor by merger to Bank One, N.A.) incorporated by reference to Exhibit 10.1 to Registrant s Form 8-K filed on November 22, 2005 (Commission File No. 1-4879)
10.17(v)	Fourth Amendment to Loan Agreement, dated November 27, 2006 among Diebold, Incorporated, the Subsidiary Borrowers, the Lenders and JPMorgan Chase Bank N.A. incorporated by reference to Exhibit 10.17(v) to Registrant s Form 10-K for the year ended December 31, 2006. (successor by merger to Bank One, N.A.) (Commission File No. 1-4879)
10.20(i)	Transfer and Administration Agreement, dated as of March 30, 2001 by and among DCC Funding LLC, Diebold Credit Corporation, Diebold, Incorporated, Receivables Capital Corporation and Bank of America, National Association and the financial institutions from time to time parties thereto incorporated by reference to Exhibit 10.20(i) to Registrant s Form 10-Q for the quarter ended March 31, 2001 (Commission File No. 1-4879)
10.20(ii)	

	Amendment No. 1 to the Transfer and Administration Agreement, dated as of May 2001, by and among DCC Funding LLC, Diebold Credit Corporation, Diebold, Incorporated, Receivables Capital Corporation and Bank of America, National Association and the financial institutions from time to time parties thereto incorporated by reference to Exhibit 10.20 (ii) to Registrant s Form 10-Q for the quarter ended March, 31, 2001 (Commission File No. 1-4879)
*10.22	Form of Non-Qualified Stock Option Agreement incorporated by reference to Exhibit 10.22 to Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (Commission File No. 1-4879)
*10.23	Form of Restricted Share Agreement incorporated by reference to Exhibit 10.23 to Registrant s Form 8-K filed on February 16, 2005 (Commission File No. 1-4879)
*10.24	Form of RSU Agreement incorporated by reference to Exhibit 10.24 to Registrant s Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
*10.25	Form of Performance Share Agreement incorporated by reference to Exhibit 10.25 to Registrant s Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
*10.26	Diebold, Incorporated Annual Cash Bonus Plan incorporated by reference to Exhibit A to Registrants Proxy Statement on Schedule 14A filed on March 16, 2005 (Commission File No. 1-4879)
10.27	Form of Note Purchase Agreement incorporated by reference to Exhibit 10.1 to Registrant s Form 8-K filed on March 8, 2006 (Commission File No. 1-4879)

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*10.28	Amended and Restated Employment Agreement between Diebold, Incorporated and Thomas W. Swidarski, as amended as of December 29, 2008 incorporated by reference to Exhibit 10.28 to Registrant s Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
*10.29	Amended and Restated Employment [Change in Control] Agreement between Diebold, Incorporated and Thomas W. Swidarski, as amended as of December 29, 2008 incorporated by reference to Exhibit 10.29 to Registrant s Form 10-K for the year ended December 31, 2008 (Commission File No. 1-4879)
*10.30	Form of Deferred Shares Agreement incorporated by reference to Exhibit 10.30 to Registrant s Form 10-K for the year ended December 31, 2008 (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 Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

* Reflects management contract or other compensatory arrangement.

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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, INCORPORATED (Registrant)
Date: August 7, 2009	By: /s/ Thomas W. Swidarski Thomas W. Swidarski President and Chief Executive Officer (Principal Executive Officer)
Date: August 7, 2009	By: /s/ Leslie A. Pierce Leslie A. Pierce Vice President and Corporate Controller Interim Chief Financial Officer (Principal Financial Officer)

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EXHIBIT INDEX

EXHIBIT NO.	DOCUMENT DESCRIPTION
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.