SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **2006-03-14** | Period of Report: **2005-12-31**
SEC Accession No. 0000950152-06-002066

(HTML Version on secdatabase.com)

FILER

DIEBOLD INC

CIK:**28823**| IRS No.: **340183970** | State of Incorp.:**OH** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **001-04879** | Film No.: **06684619**
SIC: **3578** Calculating & accounting machines (no electronic computers)

Mailing Address
PO BOX 3077
CANTON OH 44720-8077

Business Address
P.O. BOX 3077
5995 MAYFAIR RD
CANTON OH 44720-8077
3304904000

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2005

OR

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

For the transition period from __________ to __________

Commission file number 1-4879

DIEBOLD, INCORPORATED

(Exact name of Registrant as specified in its charter)

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

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

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

Title of each class	Name of each exchange on which registered:
Common Shares $1.25 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☑ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes ☐ No ☑

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

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

☐

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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

Large accelerated Filer ☑ Accelerated Filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

State the aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of June 30, 2005, the last business day of the Registrant' s most recently completed second fiscal quarter. The aggregate market value was computed by using the closing price on the New York Stock Exchange on June 30, 2005 of $45.11 per share.

Common Shares, Par Value $1.25 per Share	$3,130,979,949

Indicate the number of shares outstanding of each of the Registrant' s classes of common stock, as of the latest practicable date.

Class	Outstanding at February 28, 2006
Common Shares $1.25 Par Value	68,561,549 Shares

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

DOCUMENTS INCORPORATED BY REFERENCE

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

(1) Diebold, Incorporated Annual Report to shareholders for the year ended December 31, 2005, portions of which are incorporated by reference into Parts I and II of the Form 10-K; and

(2) Diebold, Incorporated Proxy Statement for 2006 Annual Meeting of Shareholders to be held April 27, 2006, portions of which are incorporated by reference into Part III of this Form 10-K.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

TABLE OF CONTENTS

PART I
- ITEM 1. BUSINESS
- ITEM 1A. RISK FACTORS
- ITEM 1B. UNRESOLVED STAFF COMMENTS
- ITEM 2. PROPERTIES
- ITEM 3. LEGAL PROCEEDINGS
- ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

PART II
- ITEM 5. MARKET FOR THE REGISTRANT' S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES
- ITEM 6. SELECTED FINANCIAL DATA
- ITEM 7. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
- ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
- ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
- ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
- ITEM 9A. CONTROLS AND PROCEDURES
- ITEM 9B OTHER INFORMATION

PART III
- ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT
- ITEM 11.EXECUTIVE COMPENSATION
- ITEM 12.SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS
- ITEM 13.CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS
- ITEM 14.PRINCIPAL ACCOUNTANT FEES AND SERVICES

PART IV
- ITEM 15.EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

SIGNATURES
EXHIBIT INDEX
EX-10.2 Schedule of Certain Officers
EX-10.7(IV) 2005 Deferred Comp Plan for Directors
EX-10.10(II) 2005 Deferred Incentive Compensation Plan
EX-10.18(VI) Extension of Retirement and Consulting Agreement
EX-10.24 Form of RSU Agreement
EX-10.25(III) Form of Performance Share Agreement
EX-13.1 Diebold, Incorporated Annual Report to Shareholders
EX-21.1 Significant Subsidiaries of the Registrant
EX-23.1 Consent of Independent Registered Public Accounting
EX-24.1 Power of Attorney
EX-31.1 Certification of CEO
EX-31.2 Certification of CFO
EX-32.1 Certification of CEO
EX-32.2 Certification of CFO

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

PART I.

ITEM 1. BUSINESS.
(Dollars in thousands)

(a) General Development of Business

The company was incorporated under the laws of the state of Ohio in August, 1876, succeeding a proprietorship established in 1859 and is engaged primarily in the sale, manufacture, installation and service of automated self-service transaction systems, electronic and physical security products, election systems and software. The company specializes in technology that empowers people worldwide to access services when, where and how they may choose. In 2002, the company acquired Global Election Systems Inc., subsequently renamed Diebold Election Systems, Inc. (DESI), a manufacturer and supplier of elections systems and support, to mark its launch into the election systems market.

Additional information regarding developments in the company' s business can be found in the 2005 Annual Report to shareholders under the caption "Management' s Discussion and Analysis of Financial Condition and Results of Operations" on pages 18 through 25, which is incorporated here by reference.

(b) Financial Information about Segments

The company' s segments comprise its three main sales channels: Diebold North America (DNA), Diebold International (DI) and Election Systems (ES) & Other. The DNA segment sells financial and retail systems, and also 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 DESI beginning in 2002 and the voting and lottery related business in Brazil.

Segment financial information can be found in the 2005 Annual Report to shareholders in note 16 to the Consolidated Financial Statements on pages 42 and 43, which is incorporated here by reference.

(c) Narrative Description of Business

The company develops, manufactures, sells and services self-service transaction systems, electronic and physical security systems, software and various products used to equip bank facilities and electronic voting terminals. The company' s primary customers include banks and financial institutions, as well as public libraries, government agencies, utilities and various retail outlets. Sales of systems and equipment are made directly to customers by the company' s sales personnel and by manufacturers' representatives and distributors globally. The sales/ support organization works closely with customers and their consultants to analyze and fulfill the customers' needs. In 2005, 2004, and 2003, the company' s sales and services of financial systems and equipment and security solutions accounted for more than 94 percent of consolidated net sales.

Product Groups

Self-Service Products

The company offers an integrated line of self-service banking products and Automated Teller Machines (ATMs). The company is a leading global supplier of ATMs, and holds the leading market position in many countries around the world.

Physical Security and Facility Products

The company' s Physical Security and Facility Products division designs and manufactures several of the company' s financial service solutions offerings, including the RemoteTeller™ System (RTS). The business unit also develops vaults, safe deposit boxes and safes, drive-up banking equipment and a host of other banking facilities products.

Election Systems

The company, through its wholly-owned subsidiaries DESI and Procomp Industria Eletronica S.A., is one of the largest electronic voting system providers in the world.

Integrated Security Solutions

Diebold Integrated Security Solutions provide global sales, service, installation, project management and monitoring of original equipment manufacturer (OEM) electronic security products to financial, government, retail and commercial customers. These solutions provide the company' s customers a single-source solution to their electronic security needs.

Software Solutions and Services

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The company also provides professional services to assist in the implementation of software solutions. These services include communication network review, systems integration, custom software and project management that encompass all facets of a successful financial self-service implementation.

Operations

The principal raw materials used by the company are steel, copper, brass, lumber and plastics, which are purchased from various major suppliers. Electronic parts and components are also procured from various suppliers. These materials and components are generally available in quantity at this time.

The company had no customers that accounted for more than 10 percent of total net sales in 2005, 2004 and 2003.

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

The company carries working capital mainly related to accounts receivable and inventories. Inventories, generally, are only manufactured as orders are received from customers. The company' s normal and customary payment terms are net 30 days from date of invoice. The company generally does not offer extended payment terms. The company' s government customers represent a small portion of the company' s business. Typically, the company' s contracts with its government customers do not contain fiscal funding clauses. In the event that such a clause exists, revenue would not be recognizable until the funding clause was satisfied. The company recognizes revenue for delivered elements only when the fair values of undelivered elements are known, uncertainties regarding customer acceptance are resolved and there are no customer-negotiated refunds or return rights affecting the revenue recognized for the delivered elements. Historically, the company has not experienced any such contract uncertainties or contingencies.

Competition

All phases of the company' s business are highly competitive; some products being in competition directly with similar products and others competing with alternative products having similar uses or producing similar results. The company believes, based upon outside independent industry surveys, that it is a leading manufacturer of self-service systems in the United States and is also a market leader internationally. In the area of automated transaction systems, the company competes primarily with NCR Corporation, Wincor-Nixdorf, Triton, Fujitsu and Itautec. In serving the security products market for the financial services industry, the company competes primarily with ADT. Of these competitors, some compete in only one or two product lines, while others sell a broader spectrum of products competing with the company. However, the unavailability of comparative sales information and the large variety of individual products make it difficult to give reasonable estimates of the company' s competitive ranking in or share of the market in its security product fields of activity. Many smaller manufacturers of safes, surveillance cameras, alarm systems and remote drive-up equipment are found in the market.

In the rapidly growing election systems market, the company is emerging as the leader in providing product solutions and support for the United States and internationally. Competition in this market is from smaller, privately held niche companies.

Patents, Trademarks, Licenses

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

Research, Development & Engineering

The company charged to expense $60,409 in 2005, $58,759 in 2004, and $58,678 in 2003, respectively, for research, development and engineering costs.

Legal

Compliance by the company with federal, state and local environmental protection laws during 2005 had no material effect upon capital expenditures, earnings or the competitive position of the company and its subsidiaries.

The election systems business continues to be a challenge for the company. As a result of these challenges, and because 2004 was a presidential election year, the company believes that prospective purchases of voting equipment and services by certain government entities were delayed in 2004, which resulted in lower than expected revenue for 2004. Those entities did not want to introduce a new voting solution in a presidential election year and also wanted to see how successful electronic voting was in states that had already implemented the technology. Both the settlement of the civil action and the decrease in revenues resulted in a significant negative impact on margin and earnings per share. As a result of the positive performance of the company' s voting equipment, the positive performance of electronic voting systems in past elections and the Help America Vote Act (HAVA) requirement that jurisdictions must have HAVA-compliant

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

equipment, the company expected to continue participating in new jurisdiction decisions to purchase voting equipment in 2005 and in future years. Election systems revenues for 2005 did increase by $77,040 from 2004, representing a combination of the recapture of delayed sales from 2004 as well as growth from sales generated within 2005. Despite the revenue growth in 2005, future delays or increases in the costs of providing products and services may be encountered as a result of possible future challenges, changes in the laws and changes to product specifications, any of which may adversely affect the company' s election systems sales.

Employees

The total number of employees at December 31, 2005 was 14,603 compared with 14,376 at the end of the preceding year. Diebold' s service staff is one of the financial industry' s largest, with professionals in more than 600 locations worldwide.

Additional information regarding the company' s sales, results of operations, liquidity and capital resources is discussed in "Managements Discussion and Analysis of Financial Condition and Results of Operations" in the 2005 Annual Report to shareholders on pages 18 through 25.

(d) Financial Information about Geographic Areas

Sales to customers outside the United States in relation to total consolidated net sales were $1,087,604 or 42.0 percent in 2005, $935,769 or 39.7 percent in 2004 and $778,608 or 37.3 percent in 2003.

Property, plant and equipment, at cost, located in the United States totaled $403,625, $427,464 and $392,128 as of December 31, 2005, 2004 and 2003, respectively, and property, plant and equipment, at cost, located outside the United States totaled $202,460, $186,650 and $155,730 as of December 31, 2005, 2004 and 2003, respectively.

The company' s non-U.S. operations are subject to normal international business risks not generally applicable to domestic business. These risks include currency fluctuation, new and different legal and regulatory requirements in local jurisdictions, political and economic changes and disruptions, tariffs or other barriers, potentially adverse tax consequences and difficulties in staffing and managing foreign operations.

Additional information regarding the company' s international operations is included in the 2005 Annual Report to shareholders in Note 16 to the Consolidated Financial Statements on pages 42 and 43, in "Management' s Discussion and Analysis of Financial Condition and Results of Operations" on pages 18 through 25 and in "Quantitative and Qualitative Disclosures about Market Risk" on page 25, and that information is incorporated here by reference.

(e) Additional Information

The company' s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports are available, free of charge, on or through its website, www.diebold.com, as soon as practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. Additionally, these reports can be furnished free of charge to shareholders upon written request to Diebold Global Communication at the corporate address, or call +1 330 490-3790 or [800] 766-5859.

ITEM 1A. RISK FACTORS

The following are certain risk factors that could affect the business, financial condition, operating results and cash flows of the company. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Annual Report on Form 10-K because these risk factors could cause the company' s actual results to differ materially from those expressed in any forward-looking statement. The risks the company has highlighted below are not the only ones the company faces. If any of these events actually occur, the company' s business, financial condition, operating results or cash flows could be negatively affected. The company cautions the reader to keep in mind these risk factors and to refrain from attributing undue certainty to any forward-looking statements, which speak only as of the date of this report.

Demand for and supply of the company' s products and services may be adversely affected by numerous factors, some of which the company cannot predict or control, which could adversely affect the company' s results of operations.

Numerous factors may affect the demand for and supply of the company' s products and services, including:

- changes in the market acceptance of the company' s products and services;
- customer and competitor consolidation;
- changes in customer preferences;
- declines in general economic conditions; and
- changes in environmental regulations that would limit the company' s ability to sell products and services in specific markets.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

If any of these factors occur, the demand for and supply of the company' s products and services could suffer, which would adversely affect the company' s results of operations.

Increased raw material and energy costs could reduce the company' s income.

The primary raw materials in the company' s financial self-service, security and election systems business segments are steel, plastics and electronic components. The majority of the company' s raw materials are purchased from various local, regional and global suppliers pursuant to long-term supply contracts. However, the price of these materials fluctuates under these contracts in tandem with the prices of raw materials that are used in the manufacture of the company' s products.

In addition, energy prices, particularly petroleum, are cost drivers for the company' s business. In recent months, the price of petroleum has risen significantly, particularly due to the unstable political conditions in the Persian Gulf. Any increase in the costs of energy would also increase the company' s transportation costs. Although the company attempts to pass on higher raw material and energy costs to the company' s customers, given the company' s competitive markets, it is often not possible to pass on all of these increased costs.

The company' s sales and operating results are sensitive to global economic conditions and cyclicality and could be adversely affected during economic downturns.

Demand for the company' s products is affected by general economic conditions and the business conditions of the industries in which the company sells our products and services. The business of most the company' s customers, particularly our financial institution and election systems customers, is, to varying degrees, cyclical and has historically experienced periodic downturns. Any future downturns in general economic conditions could adversely affect the demand for our products and services and our sales and operating results. In addition, downturns in our customers' industries, even during periods of strong general economic conditions, could adversely affect our sales and our operating results. Additionally, the unstable political conditions in the Persian Gulf could lead to financial, economic and political instability, which could lead to a further deterioration in general economic conditions.

The company may be unable to achieve, or may be delayed in achieving, our cost-cutting initiatives, which may adversely affect our results of operations and cash flow.

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

The company faces competition that could adversely affect our sales and financial condition.

All phases of the company' s business are highly competitive; some products being in competition directly with similar products and others competing with alternative products having similar uses or producing similar results. The company encounters competition in price, delivery, service, performance, product innovation, product recognition and quality.

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

The company' s competitors can be expected to continue to develop and introduce new and enhanced products, which could cause a decline in market acceptance of the company' s products. In addition, the company' s competitors could cause a reduction in the prices for some of the company' s products as a result of intensified price competition.

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

Because our operations are conducted worldwide, they are affected by risks of doing business abroad.

The company generates a significant percentage of our revenue from sales and service operations conducted outside the United States. Revenue from international operations amounted to approximately 42.0% in 2005 and 39.7% in 2004 of total revenue during these respective periods.

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

- fluctuations in currency exchange rates;
- transportation delays and interruptions;
- political and economic instability and disruptions;

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

restrictions on the transfer of funds;

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

- the imposition of duties and tariffs;
- import and export controls;
- changes in governmental policies and regulatory environments;
- labor unrest and current and changing regulatory environments;
- the uncertainty of product acceptance by different cultures;
- the risks of divergent business expectations or cultural incompatibility inherent in establishing joint ventures with foreign partners;
- difficulties in staffing and managing multi-national operations;
- limitations on our ability to enforce legal rights and remedies;
- reduced protection for intellectual property rights in some countries; and
- potentially adverse tax consequences.

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

The failure of governments to certify election systems products may hinder our growth and harm our business.

The Help America Vote Act (HAVA) requires that jurisdictions must have HAVA-compliant equipment by January 1, 2006; however, despite this deadline, numerous jurisdiction have not yet become HAVA-compliant. Further, individual states and municipalities have the discretion as to how they will become compliant with HAVA. It is uncertain at this time the extent to which 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.

The company could be subject to differing and inconsistent laws, regulations and certification requirements with respect to our election systems products. If that were to happen, the company may find it necessary to eliminate, modify or cancel components of our services that could result in additional development costs and the possible loss of revenue. Future legislative changes or other changes in the laws could have an adverse effect on our business, financial condition and results of operations.

Our election systems products might not achieve market acceptance, which could adversely affect our growth.

The rate at which state and local government bodies have accepted electronic voting products has varied significantly by locale. Despite the passing of the HAVA deadline, the company expects to continue to experience variations in the degree to which these programs are accepted. The company’ s ability to grow will depend on the extent to which our potential customers accept our products. This acceptance may be limited by:

- the failure of jurisdictions to certify our election systems products;
- jurisdictions decertifying products that had previously been certified;
- the failure of prospective customers to conclude that our products are valuable and should be used;
- the reluctance of our prospective customers to replace their existing solutions with our products; and
- marketing efforts of our competitors.

Concerns about security and negative publicity regarding our election systems segment could slow acceptance of our election systems products.

Because of the political nature of our election systems business, various individuals and advocacy groups may raise challenges in the media and elsewhere, including legal challenges, about the reliability and security of the company’ s election systems products and services. Our election systems business is vulnerable to these types of challenges because the electronic elections systems industry is emerging. Furthermore, in the event of adverse publicity, whether directed at us or our competitors’ products, due to processing errors or other system failures, the electronic election systems industry could suffer as a whole, which would have a adverse effect on our business, financial condition and results of operations. In addition, these efforts may adversely affect the company’ s relations with its election systems customers.

The company is currently subject to securities class action litigation, the unfavorable outcome of which might have a material adverse effect on our financial condition, results of operations and cash flows.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

A number of shareholder action lawsuits have been filed against us and certain of our current and former officers and directors, alleging violations of the federal securities laws and breaches of fiduciary duties with respect to the company' s 401(k) savings plan. The company believes that these lawsuits are without merit and the company intends to defend ourselves vigorously. The company cannot, however, determine with certainty the outcome or resolution of these claims or any future related claims, or the timing for their resolution. In addition to the expense and burden incurred in defending this litigation and any damages that the company may suffer, our management' s efforts and attention may be diverted from the ordinary business operations in order to address these claims. If the final resolution of this litigation is unfavorable to us, our financial condition, results of operations and cash flows might be materially adversely affected.

Any failure by us to manage acquisitions, divestitures and other significant transactions successfully could harm our financial results, business and prospects.

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

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

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

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

Managing extraordinary transactions requires varying levels of management resources, which may divert our attention from other business operations. These extraordinary transactions could result in significant costs and expenses and charges to earnings, including those related to severance pay, early retirement costs, employee benefit costs, asset impairment charges, charges from the elimination of duplicative facilities and contracts, in-process research and development charges, inventory adjustments, assumed litigation and other liabilities, legal, accounting and financial advisory fees, and required payments to executive officers and key employees under retention plans. Moreover, the company could incur additional depreciation and amortization expense over the useful lives of certain assets acquired in connection with extraordinary transactions, and, to the extent that the value of goodwill or intangible assets with indefinite lives acquired in connection with an extraordinary transaction becomes impaired, the company may be required to incur additional material charges relating to the impairment of those assets. In order to complete an acquisition, the company may issue common stock, potentially creating dilution for existing stockholders, or borrow, affecting our financial condition and potentially our credit ratings. Any prior or future downgrades in our credit rating associated with an acquisition could adversely affect our ability to borrow and result in more restrictive borrowing terms. In addition, our effective tax rate on an ongoing basis is uncertain, and

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

extraordinary transactions could impact our effective tax rate. The company also may experience risks relating to the challenges and costs of closing an extraordinary transaction and the risk that an announced extraordinary transaction may not close. As a result, any completed, pending or future transactions may contribute to financial results that differ from the investment community' s expectations.

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

Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate our confidential information or that of third parties, create system disruptions or cause shutdowns. As a result, the company could incur significant expenses in addressing problems created by security breaches of our network. Moreover, the company could lose existing or potential customers or incur significant expenses in connection with our customers' system failures. In addition, sophisticated hardware and operating system software and applications that the company produce or procure from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of the system. The costs to us to eliminate or alleviate security problems, viruses and bugs could be significant, and the efforts to address these problems could result in interruptions, delays or cessation of service that could impede our sales, manufacturing, distribution or other critical functions.

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

In order to be successful, the company must attract, retain and motivate key employees, and failure to do so could seriously harm us.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES.

The company' s corporate offices are located in North Canton, Ohio. It owns manufacturing facilities in Canton and Newark, Ohio; Lynchburg and Danville, Virginia; Lexington, North Carolina; and Sumter, South Carolina. The company also has manufacturing facilities in Argentina, Belgium, Brazil, China, France and India. The company has selling, service and administrative offices in the following locations: throughout the United States, and in Argentina, Australia, Austria, Barbados, Belgium, Brazil, Canada, Chile, China, Colombia, Czech Republic, Ecuador, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Italy, Malaysia, Mexico, Netherlands, New Zealand, Panama, Paraguay, Peru, Philippines, Portugal, Poland, Romania, Russia, Singapore, South Africa, Spain, Switzerland, Taiwan, Thailand, Turkey, the United Arab Emirates, the United Kingdom, Uruguay, Venezuela and Vietnam. The company leases a majority of the selling, service and administrative offices under operating lease agreements.

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

ITEM 3. LEGAL PROCEEDINGS.

At December 31, 2005, 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, results of operations or cash flow. In management' s opinion, the 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 recently been served with various lawsuits, filed against it and certain named 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 an unspecific amount, fees and expenses related to such lawsuit 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 court in which such lawsuit is pending are as follows:

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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. 5:06-CV-40 (N.D. Ohio filed January 6, 2006).

Rein v. Diebold, Inc., et al., No. 5:06-cv-00296-JG (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. 5:06-CV-170 (N.D. Ohio filed January 24, 2006).

Recht v. O'Dell et al., No. 5:06-CV-233 (N.D. Ohio filed January 31, 2006).

Barnett v. Diebold, Inc., et al., No. 5:06CV61 (N.D. Ohio, filed February 15, 2006).

Farrell v. Diebold, Inc., et al., No. 1:06-cv-00307-DDD (N.D. Ohio, Filed February 8, 2006).

Forbes v. Diebold, Inc., et al., No. 5:06-cv-00324-JG (N.D. Ohio, filed February 10, 2006).

Wietschner v. Diebold, Inc., et al., No. 5:06CV0418 (N.D. Ohio, filed February 23, 2006).

The company and the individual defendants deny the allegations made against them, regard them as without merit, and intend to defend themselves vigorously. Management is unable to determine the financial statement impact, if any, of these legal proceedings as of December 31, 2005.

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

No matters were submitted to a vote of security holders during the fourth quarter of 2005.

PART II.

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

The common shares of the company are listed on the New York Stock Exchange with a symbol of DBD. The price ranges of common shares for the company are as follows:

	2005		2004		2003	
	High	Low	High	Low	High	Low
1st Quarter	$57.75	$51.70	$54.82	$46.61	$42.95	$33.50
2nd Quarter	57.80	44.85	52.87	43.88	43.60	33.75
3rd Quarter	50.21	33.78	52.79	44.96	52.30	41.85
4th Quarter	41.00	33.10	56.45	44.67	57.43	50.73
Full Year	$57.80	$33.10	$56.45	$43.88	$57.43	$33.50

There were 87,011 shareholders at December 31, 2005, which includes an estimated number of shareholders who have shares held in their accounts by banks, brokers, trustees for benefit plans and the agent for the dividend reinvestment plan.

On the basis of amounts paid and declared, the annualized quarterly dividends per share were $0.82, $0.74 and $0.68 in 2005, 2004 and 2003, respectively.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a). Total Number of Shares Purchased (2)	(b). Average Price Paid per Share	(c). Total Shares Purchased as part of Publicly Announced Plan (1)	(d). Maximum Number of Shares that may yet be Purchased under the Plan (1)
October 2005	800,000	34.39	800,000	1,236,929
November 2005	500,176	38.37	500,000	736,929

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

December 2005	237,168	39.11	236,929	4,500,000
Total	1,537,344	36.41	1,536,929	4,500,000

(1) - The company purchased 1,536,929 common shares in the fourth quarter 2005 pursuant to the Company Stock Repurchase Plan (the Plan). The total number of shares repurchased as part of a publicly announced plan was 5,500,000 as of December 31, 2005. The

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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. The Plan has no expiration date.

(2) - Includes 176 and 239 shares in November and December, respectively, surrendered or deemed surrendered to the company in connection with stock option exercises and to satisfy tax withholding obligations in connection with the distribution of shares of stock under employee stock-based compensation plans.

ITEM 6. SELECTED FINANCIAL DATA.

The summary of selected financial data for the last six years is set forth in the 2005 Annual Report to shareholders in the table titled "2005 − 2000 Diebold, Incorporated and Subsidiaries Selected Financial Data" on pages 50 and 51 and is incorporated here by reference.

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

"Management' s Discussion and Analysis of Financial Condition and Results of Operations" is set forth in the 2005 Annual Report to shareholders on pages 18 through 25 and is incorporated here by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The disclosures about market risk required by this item are set forth in the 2005 Annual Report to shareholders on page 25, which is incorporated here by reference. For further information relating to borrowings and interest rates, see the "Liquidity and Capital Resources" section of "Management' s Discussion and Analysis of Financial Condition and Results of Operations" on pages 21 and 22 and Notes 7 and 8 to the Consolidated Financial Statements on pages 34 and 35, which are incorporated here by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data are included within the 2005 Annual Report to shareholders on pages 26 through 44 and pages 49 and 53, which are incorporated here by reference.

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

There have been no changes in accountants or disagreements with accountants on accounting and financial disclosures.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

Under the direction of the Company' s chief executive officer and chief financial officer, the Company has evaluated its disclosure controls and procedures as in effect as of the end of the period covered by this report, and has concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are not effective due to the material weakness described below.

(b) Management' s Annual Report On Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Management, under the supervision and with the participation of the Company' s chief executive officer and chief financial officer, conducted an evaluation of the effectiveness of the Company' s internal control over financial reporting as of December 31, 2005, based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

This evaluation identified the following material weakness in the Company' s internal control over financial reporting as of December 31, 2005:

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The Company did not have personnel with sufficient technical knowledge to analyze complex revenue contracts to ensure that such transactions were accounted for in accordance with generally accepted accounting principles at its voting subsidiary, Diebold Election Systems, Inc. (DESI). Specifically, the review of these contracts did not provide for effective identification of, and consideration of, terms of certain arrangements within the contracts that impact the accounting required for the related revenue for such arrangements. This material weakness resulted in material overstatements of revenue and material understatements of deferred revenue balances in the Company' s preliminary interim and annual financial statements for the year ended December 31, 2005. The revenue and deferred revenue balances were corrected by management prior to the issuance of the Company' s consolidated financial statements.

As a result of these deficiencies, the Company concluded that its internal control over financial reporting was not effective as of December 31, 2005.

KPMG LLP, the Company' s independent registered public accounting firm, has issued an auditors' report on management' s assessment of the effectiveness of the Company' s internal control over financial reporting as of December 31, 2005. This report is included at page 46 of this Annual Report on Form 10-K.

(c) Changes In Internal Control Over Financial Reporting

The Company had previously disclosed in its June 30, 2005 and September 30, 2005 quarterly filings, on-going remediation efforts related to DESI which included the following:

Realignment of the finance organization; which includes formal review procedures of new contracts as well as current financial statements

Standardization of revenue recognition policies

Training and implementation of revenue recognition policies and literature

Unrelated to the issue noted above, the Company has implemented an enterprise resource planning system in several significant subsidiaries in Europe, as well as in Mexico and Australia during 2005. Although the company is experiencing certain implementation challenges related to these subsidiaries' internal control over financial reporting, management is confident that there are sufficient compensating controls in place to mitigate the increase in risk caused by the implementations.

Other than the remedial efforts taken with respect to the material weakness described above and the enterprise resource planning system implementation, in the fourth quarter ending December 31, 2005, there have been no significant changes in the company' s internal controls over financial reporting that have materially affected, or is reasonably likely to materially affect, the Company' s internal controls over financial reporting.

Subsequent to December 31, 2005, the Company is continuing implementation and enhancement of the above efforts, and, in addition, is increasing the level of accounting support at DESI in order to assist with effective management review of revenue recognition.

The Company anticipates that the remediation efforts will be fully implemented prior to the end of the second quarter ending June 30, 2006. This will allow the Company sufficient time to test the ongoing design and operating effectiveness of these controls.

ITEM 9B OTHER INFORMATION

None.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information with respect to directors of the company, including the designated audit committee financial experts, of the company is included on pages 3 through 10 of the company' s proxy statement for the 2006 Annual Meeting of Shareholders ("2006 Annual Meeting") and is incorporated herein by reference. The following table summarizes information regarding executive officers of the company:

Executive Officers of the Registrant

Name	Age	Title	Year Elected Present Office	Other Positions Held Last Five Years
Thomas W. Swidarski	47	President and Chief Executive Officer	2005	Oct-Dec 2005 President and Chief Operating Officer − Diebold, Inc. 2001-2005 Senior Vice President, Financial Self-Service Group − Diebold, Inc. 1999 − 2001 Vice President, Global Marketing − Diebold Inc.
Kevin J. Krakora	50	Vice President and Chief Financial Officer	2005	2001-2005 Vice President and Corporate Controller − Diebold, Inc. 1999-2001 Chief Financial Officer − Teltek, Inc. [Electronic Components]
Michael J. Hillock	54	President, International	2001	1999-2001 Senior Vice President, Int' l Sales and Service − Diebold, Inc.
David Bucci	54	Senior Vice President, Customer Solutions Group	2001	1999-2001 Senior Vice President, North America − Diebold, Inc.
James L.M. Chen	45	Vice President and Managing Director, Asia-Pacific	1998	−
John M. Crowther	49	Vice President and Chief Information Officer	2004	2002 - 2004 Vice President and Chief Information Officer (non-executive) − Diebold, Inc. 1998 - 2002 Vice President and Chief Information Officer- Cummins, Inc. [Diversified Machinery]

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Table of Contents

Executive Officers of the Registrant (continued)

Name	Age	Title	Year Elected Present Office	Other Positions Held Last Five Years
Warren W. Dettinger	52	Vice President, General Counsel and Secretary	2004	1987 - 2004 Vice President and General Counsel - Diebold, Inc.
Michael R. Moore	49	Vice President and Corporate Controller	2005	2003-2005 Vice President of Finance and Administration, Diebold Brazil 1998-2003 Vice President, Finance and Group Controller, Diebold International
Dennis M. Moriarty	53	Vice President, Global Security Division	2001	1999-2001 Vice President, Customer Business Solutions − Diebold, Inc.
William E. Rosenberg	55	Vice President, Corporate Development	2004	2002 - 2004 Vice President, Corporate Development (non executive)− Diebold, Inc. 1999 - 2002 Senior Vice President and Chief Financial Officer − Creative Management Services, LLC [Designer & Manufacturer of Custom Trade Show Exhibits]
Sheila M. Rutt	37	Vice President, Chief Human Resources Officer	2005	2002 - 2005 Vice President, Global Human Resources − Diebold, Inc. 2000-2002 Vice President, Human Resources, for Diebold North America
Robert J. Warren	59	Vice President and Treasurer	1990	−

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

Code of Ethics

The company has adopted a Business Ethics Policy that applies to its directors and officers (including its principal executive officer, principal financial officer and principal accounting officer) and employees. This policy is available on the company' s website at www.diebold.com.

Section 16(a) Beneficial Ownership Reporting Compliance

Information with respect to Section 16(a) Beneficial Ownership Reporting Compliance is included on pages 10 and 11 of the company' s proxy statement for the 2006 Annual Meeting and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

Information with respect to executive compensation is included on pages 11 through 23 of the company' s proxy statement for the 2006 Annual Meeting and is incorporated herein by reference.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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

Information with respect to security ownership of certain beneficial owners and management is included on pages 9 and 10 of the company' s proxy statement for the 2006 Annual Meeting and is incorporated herein by reference.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	4,082,865	$ 39.37	1,734,847
Equity compensation plans not approved by security holders	–	–	–
Total	4,082,865	$ 39.37	1,734,847

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information with respect to certain relationships and related transactions is included under the caption "Compensation Committee Interlocks and Insider Participation" on page 7 of the company' s proxy statement for the 2006 Annual Meeting and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Information with respect to principal accountant fees and services is included under "Proposal No. 2: Ratification of Appointment of Independent Auditors" on page 26 of the company' s proxy statement for the 2006 Annual Meeting and is incorporated herein by reference.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Documents filed as a part of this report.

The following Consolidated Financial Statements, notes thereto, the report of independent registered public accounting firm, and supplemental data are included in the 2005 Annual Report to shareholders on pages 26 through 46 are incorporated by reference in Item 8 of this report.

Consolidated Balance Sheets at December 31, 2005 and 2004

Consolidated Statements of Income for the Years Ended December 31, 2005, 2004 and 2003

Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2005, 2004 and 2003

Consolidated Statements of Cash Flows for the Years Ended December 31, 2005, 2004 and 2003

Notes to Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firm

(a) 2. Financial statement schedule

The following report and schedule are included in this Part IV, and are found in this report at the pages indicated:

Report of Independent Registered Public Accounting Firm on page 21 of this Form 10-K, and

Valuation and Qualifying Accounts on page 22 of this Form 10-K.

All other schedules are omitted, as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

(a) 3. Exhibits

3.1 (i)	Amended and Restated Articles of Incorporation of Diebold, Incorporated − incorporated by reference to Exhibit 3.1 (i) of Registrant' s Annual Report on Form 10-K for the year ended December 31, 1994. (Commission File No. 1-4879)
3.1 (ii)	Code of Regulations − incorporated by reference to Exhibit 4(c) to Registrant' s Post-Effective Amendment No. 1 to Form S-8 Registration Statement No. 33-32960.
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.	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 February 2, 1999. (Commission File No. 1-4879).
* 10.1	Form of Employment Agreement as amended and restated as of September 13, 1990 − incorporated by reference to Exhibit 10.1 to Registrant' s Annual Report on Form 10-K for the year ended December 31, 1990. (Commission File No. 1-4879).
* 10.2	Schedule of Certain Officers who are Parties to Employment Agreements.
* 10.5 (i)	Supplemental Employee Retirement Plan I as amended and restated July 1, 2002 − incorporated by reference to Exhibit 10.5(i) of Registrant' s Form 10-Q for the quarter ended September 30, 2002. (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) of Registrant' s Form 10-Q for the quarter ended September 30, 2002. (Commission File No. 1-4879).

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

* 10.7 (i) 1985 Deferred Compensation Plan for Directors of Diebold, Incorporated − incorporated by reference to Exhibit 10.7 to Registrant' s Annual Report on Form 10-K for the year ended December 31, 1992. (Commission File No. 1-4879)

* 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).

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

* 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 (iii) to Registrant' s Form 10-Q for the quarter ended March 31, 2003. (Commission File No. 1-4879).
* 10.7 (iv)	2005 Deferred Compensation Plan for Directors of Diebold, Incorporated, effective as of January 1, 2005.
* 10.8 (i)	1991 Equity and Performance Incentive Plan as Amended and Restated as of February 7, 2001 − incorporated by reference to Exhibit 4(a) to Form S-8 Registration Statement No. 333-60578.
* 10.8 (ii)	Amendment No. 1 to the 1991 Equity and Performance Incentive Plan as Amended and Restated as of February 7, 2001 − incorporated by reference to Exhibit 10.8 (ii) on Registrant' s Form 10-Q for the quarter ended March 31, 2004. (Commission File No. 1-4879).
* 10.8 (iii)	Amendment No. 2 to the 1991 Equity and Performance Incentive Plan as Amended and Restated as of February 7, 2001 − incorporated by reference to Exhibit 10.8 (iii) on Registrant' s Form 10-Q for the quarter ended March 31, 2004. (Commission File No. 1-4879).
* 10.8 (iv)	Amendment No. 3 to the 1991 Equity and Performance Incentive Plan as Amended and Restated as of February 7, 2001 − incorporated by reference to Exhibit 10.8 (iv) on Registrant' s Form 10-Q for the quarter ended June 30, 2004. (Commission File No. 1-4879).
* 10.9	Long-Term Executive Incentive Plan − incorporated by reference to Exhibit 10.9 of Registrant' s Annual Report on Form 10-K for the year ended December 31, 1993. (Commission File No. 1-4879).
* 10.10 (i)	Amended and Restated 1992 Deferred Incentive Compensation Plan − incorporated by reference to Exhibit 10.10 (i) of Registrant' s Form 10-Q for the quarter ended September 30, 2002. (Commission File No. 1-4879).
* 10.10 (ii)	2005 Deferred Incentive Compensation Plan, effective as of January 1, 2005.
* 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 of the Registrant' s Annual Report on Form 10-K for the year ended December 31, 1998. (Commission File No. 1-4879).
* 10.15	Employment Agreement with Walden W. O' Dell − incorporated by reference to Exhibit 10.15 of Registrant' s Annual Report on Form 10-K for the year ended December 31, 1999. (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 on Registrant' s Form 8-K filed on May 3, 2005. (Commission File No. 1-4879).

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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 on Registrant' s Form 8-K filed on November 22, 2005. (Commission File No. 1-4879).
* 10.18 (i)	Retirement and Consulting Agreement with Robert W. Mahoney − incorporated by reference to Exhibit 10.18 of Registrant' s Annual Report on Form 10-K for the year ended December 31, 2000. (Commission File No. 1-4879).
* 10.18 (ii)	Extension of Retirement and Consulting Agreement with Robert W. Mahoney − incorporated by reference to Exhibit 10.18 (ii) of Registrant' s Form 10-Q for the quarter ended September 30, 2002. (Commission File No. 1-4879).

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

* 10.18 (iii)	Extension of Retirement and Consulting Agreement with Robert W. Mahoney − incorporated by reference to Exhibit 10.18 (iii) of Registrant' s Form 10-Q for the quarter ended June 30, 2003. (Commission File No. 1-4879).
* 10.18 (iv)	Extension of Retirement and Consulting Agreement with Robert W. Mahoney − incorporated by reference to Exhibit 10.18 (iv) of Registrant' s Form 10-Q for the quarter ended March 31, 2004. (Commission File No. 1-4879).
* 10.18 (v)	Extension of Retirement and Consulting Agreement with Robert W. Mahoney − incorporated by reference to Exhibit 10.18 (v) to Registrant' s Form 10-Q for the quarter ended March 31, 2005. (Commission File No. 1-4879).
* 10.18 (vi)	Extension of Retirement and Consulting Agreement with Robert W. Mahoney, dated March 7, 2006.
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) on 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) on Registrant' s Form 10-Q for the quarter ended March, 31, 2001. (Commission File No. 1-4879).
* 10.21(i)	Employment Agreement with Eric C. Evans − incorporated by reference to Exhibit 10.21 on Registrant' s Form 10-Q for the quarter ended March 31, 2004. (Commission File No. 1-4879).
* 10.21(ii)	Separation Agreement with Eric C. Evans − incorporated by reference to Exhibit 10.1 on Registrant' s Form 8-K filed on October 18, 2005. (Commission File No. 1-4879).
* 10.22	Form of Non-qualified Stock Option Agreement − incorporated by reference to Exhibit 10.1 on Registrant' s Form 8-K filed on February 16, 2005. (Commission File No. 1-4879).
* 10.23	Form of Restricted Share Agreement − incorporated by reference to Exhibit 10.2 on Registrant' s Form 8-K filed on February 16, 2005. (Commission File No. 1-4879).
* 10.24	Form of RSU Agreement.
* 10.25	Form of Performance Share Agreement.
* 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. 1-04879).
10.27	Form of Note Purchase Agreement − incorporated by reference to Exhibit 10.1 on Registrant' s Form 8-K filed on March 8, 2006. (Commission File No. 1-4879).
13.1	Diebold, Incorporated 2005 Annual Report to shareholders (not deemed "filed" as part of this Form 10-K except for those portions that are expressly incorporated by reference).
21.1	Subsidiaries of the Registrant as of December 31, 2005.
23.1	Consent of Independent Registered Public Accounting Firm.
24.1	Power of Attorney.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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 required to be filed as an exhibit pursuant to Item 15(c) of this report.

(b) Refer to page 23 of this Form 10-K for an index of exhibits to this Form 10-K.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DIEBOLD, INCORPORATED

March 13, 2006	By: /s/ Thomas W. Swidarski
Date	Thomas W. Swidarski President and Chief Executive Officer

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

Signature	Title	Date
/s/ Thomas W. Swidarski Thomas W. Swidarski	President, Chief Executive Officer and Director (Principal Executive Officer)	March 13, 2006
/s/ Kevin J. Krakora Kevin J. Krakora	Vice President and Chief Financial Officer (Principal Financial Officer)	March 13, 2006
/s/ Michael R. Moore Michael R. Moore	Vice President and Corporate Controller (Principal Accounting Officer)	March 13, 2006
* Phillip R. Cox	Director	March 13, 2006
/s/ Louis V. Bockius III Louis V. Bockius III	Director	March 13, 2006
* Christopher M. Connor	Director	March 13, 2006
/s/ Richard L. Crandall Richard L. Crandall	Director	March 13, 2006
* Gale S. Fitzgerald	Director	March 13, 2006
* Phillip B. Lassiter	Director	March 13, 2006
* John N. Lauer	Director	March 13, 2006
/s/ William F. Massy William F. Massy	Director	March 13, 2006
/s/ Eric J. Roorda Eric J. Roorda	Director	March 13, 2006

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

SIGNATURES (continued)

Signature	Title	Date
/s/ Alan J. Weber Alan J. Weber	Director	March 13, 2006
/s/ Henry D.G. Wallace Henry D.G. Wallace	Director	March 13, 2006

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

Dated: March 13, 2006

*By: /s/ Kevin J. Krakora
Kevin J. Krakora, Attorney-in-Fact

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Diebold, Incorporated:

Under date of March 10, 2006, we reported on the consolidated balance sheets of Diebold, Incorporated and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2005. In connection with our audits of the aforementioned consolidated financial statements, we also audited Schedule II "Valuation and Qualifying Accounts" incorporated in the Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Our report on Internal Control over Financial Reporting expresses our opinion that Diebold, Incorporated did not maintain effective internal control over financial reporting as of December 31, 2005 because of the effect of a material weakness on the achievement of the objectives of the control criteria and contains an explanatory paragraph that states that management has identified and included in its assessment the following material weakness as of December 31, 2005:

The Company did not have personnel with sufficient technical knowledge to analyze complex revenue contracts to ensure that such transactions were accounted for in accordance with generally accepted accounting principles as its voting subsidiary, Diebold Election Systems, Inc. (DESI). Specifically, the review of these contracts did not provide for effective identification of, and consideration of, terms of certain arrangements within the contracts that impact the accounting required for the related revenue for such arrangements. This material weakness resulted in a material overstatement in the Company's revenue and material understatement in deferred revenue balances in the Company's preliminary interim and annual financial statements for the year ended December 31, 2005.

/s/ KPMG LLP

Cleveland, Ohio
March 10, 2006

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Table of Contents

DIEBOLD, INCORPORATED AND SUBSIDIARIES

SCHEDULE II − VALUATION AND QUALIFYING ACCOUNTS
(DOLLARS IN THOUSANDS)

YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

	Balance at beginning of year	Additions	Deductions	Balance at end of year
Year ended December 31, 2005				
Allowance for doubtful accounts	$10,176	$37,501	$20,461	$27,216
Year ended December 31, 2004				
Allowance for doubtful accounts	$8,713	$11,761	$10,298	$10,176
Year ended December 31, 2003				
Allowance for doubtful accounts	$7,950	$8,725	$7,962	$8,713

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT INDEX

EXHIBIT NO.	DOCUMENT DESCRIPTION
10.2	Schedule of Certain Officers who are Parties to Employment Agreements.
10.7 (iv)	2005 Deferred Compensation Plan for Directors of Diebold, Incorporated, effective as of January 1, 2005.
10.10 (ii)	2005 Deferred Incentive Compensation Plan, effective as of January 1, 2005.
10.18 (vi)	Extension of Retirement and Consulting Agreement with Robert W. Mahoney, dated March 7, 2006.
10.24	Form of RSU Agreement.
10.25	Form of Performance Share Agreement.
13.1	Diebold, Incorporated Annual Report to shareholders (not deemed "filed" as part of this Form 10-K except for those portions that are expressly incorporated by reference).
21.1	Significant Subsidiaries of the Registrant
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 10.2

Schedule of Certain Officers Who Are
Parties to Employment Agreements

Thomas W. Swidarski

Kevin J. Krakora

Michael J. Hillock

David Bucci

James L. M. Chen

John M. Crowther

Warren W. Dettinger

Michael R. Moore

Dennis M. Moriarty

William E. Rosenberg

Sheila M. Rutt

Robert J. Warren

Jack E. Finefrock

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 10.7(iv)

DIEBOLD, INCORPORATED
2005 DEFERRED COMPENSATION PLAN
FOR DIRECTORS OF DIEBOLD, INCORPORATED
(Effective as of January 1, 2005)

Diebold, Incorporated hereby establishes, effective as of January 1, 2005, the 2005 Deferred Compensation Plan for Directors of Diebold, Incorporated to provide Directors with the opportunity to defer payment of their directors' fees in compliance with Section 409A of the Internal Revenue Code of 1986. Directors' fees (and earnings thereon) that are "deferred" (for purposes of Section 409A of the Internal Revenue Code of 1986) after December 31, 2004 are eligible for deferral in accordance with the provisions of this plan. Directors' fees (and earnings thereon) that are "deferred" (for purposes of Section 409A of the Internal Revenue Code) on or before December 31, 2004 are eligible for deferral in accordance with the provisions of the Amended and Restated 1985 Deferred Compensation Plan for Directors of Diebold, Incorporated.

ARTICLE I

DEFINITIONS

For the purposes hereof, the following words and phrases shall have the meanings indicated.

1. "Account" shall mean the bookkeeping account on which the amount of the Fees which are deferred by a Participant shall be recorded and on which gains, losses and earnings shall be credited in accordance with the Plan.

2. "Beneficiary" of "Beneficiaries" shall mean the person or persons designated by a Participant in accordance with the Plan to receive payment of the remaining balance of the Account in the event of the death of the Participant prior to receipt of the entire amount credited to the Participant' s Account.

3. "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

4. "Committee" shall mean the Compensation and Pension Committee of the Board or such other Committee as may be authorized by the Board to administer the Plan.

5. "Company" shall mean Diebold, Incorporated and its successors, including, without limitation, the surviving corporation resulting from any merger or consolidation of Diebold, Incorporated with any other corporation or corporations.

6. "Director" shall mean any member of the Board of Directors of the Corporation.

7. "Election Agreement" shall mean an agreement in substantially the form attached hereto as Exhibit A, as modified from time to time by the Company

8. "Fee" shall mean all fees and compensation earned as a Director including retainer and committee fees.

9. "Participant" shall mean any Director who has at any time elected to defer the receipt of Fees in accordance with the Plan.

10. "Plan" shall mean the deferred compensation plan as set forth herein, together with all amendments hereto, which Plan shall be called the 2005 Deferred Compensation Plan for Directors of Diebold, Incorporated.

11. "Unforeseeable Emergency" shall mean a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant' s spouse, or a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant' s property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. A withdrawal on account of an Unforeseeable Emergency may be paid to the Participant only if the amounts distributed with respect to an emergency do not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant' s assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

12. "Year" shall mean the calendar year.

ARTICLE II

ELECTION TO DEFER

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

1. Eligibility. Any Director may elect to defer receipt of all or a specified part of his or her Fees for any Year in accordance with Section 2 of this Article. A Director' s entitlement to defer shall cease with respect to the Year following the Year in which he or she ceases to be a Director.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

2. Election to Defer. (i) A Director who desires to defer the payment of all or a portion of his or her Fees for any Year must complete and deliver an Election Agreement to the Secretary of the Company before the first day of the first Year of service for which such Fees are payable. A Director who timely delivers an Election Agreement to the Secretary of the Company shall be a Participant.

(ii) Notwithstanding the foregoing provision of Subsection (i), any Director hereafter elected to the Board of Directors of the Company who was not a Director on the preceding December 31 may make an election to defer payment of Fees with respect to services performed subsequent to the filing of the Election Agreement by delivering the Election Agreement to the Secretary of the Company within thirty (30) days of such election.

(iii) Notwithstanding the foregoing provision of Subsection (i), with respect to any "performance-based" compensation (as determined by the Company in accordance with Section 409A of the Code) based on services performed over a period of at least 12 months a Participant may complete and deliver an Election Agreement to the Secretary of the Company no later than six months before the end of such period.

(iv) An Election Agreement, once timely delivered, shall be effective for all Fees for the succeeding Year and, except as otherwise specified by a Director in his or her Election Agreement, shall continue to be effective from Year to Year until terminated or modified by written notice to the Secretary of the Company. Except as provided for in the below provisions of Subsection (v), in order to be effective to revoke or modify an election to defer fees otherwise payable in any particular Year, a revocation or modification must be delivered prior to the date that an initial election would be required to be delivered under either Subsection (i) or Subsection (iii) above.

(v) Subject to the approval of the Company, a Participant may make a subsequent election requesting a change in the period of deferral (subject to the limitations set forth in Section 3 of this Article) and/or the form of payment (subject to the limitations set forth in this Section 5). Such subsequent election must meet all of the following requirements and shall be in writing on a form provided by the Company:

(a) the subsequent election shall not take effect until at least 12 months after the date on which such amendment is made;

(b) in the case of a subsequent election related to a payment not made on account of the Participant' s death or an Unforeseeable Emergency, the first payment with respect to which the amendment is made shall in all cases be deferred for a period of not less then 5 years from the date on which such payment otherwise would have been made;

(c) in the case of a subsequent election related to a payment that is to be made at a specified time or pursuant to a fixed schedule, such an amendment of the election must be made at least 12 months prior to the date of the first scheduled payment.

3. Amount Deferred; Period of Deferral. A Participant shall designate on the Election Agreement the percentage of his or her Fees that are to be deferred. That percentage of Fees shall be deferred until the earliest to occur of (i) the date the Participant ceases to be a Director, whether by death, retirement or otherwise, or (ii) the date specified by the Participant, at which time payment of the amount deferred shall be made in accordance with Section 5 or 6 of this Article.

4. Account; Earnings. The percentage of Fees which a Participant elects to defer shall be treated as if it were set aside in an Account on the date the Fees would otherwise have been paid to the Participant. A Participant' s Account shall be credited with gains, losses and earnings based on hypothetical investment directions made by the Participant, in accordance with investment deferral crediting options and procedures adopted by the Committee from time to time. A Participant may change such hypothetical investment directions pursuant to such procedures adopted by the Committee from time to time. The Company specifically retains the right in its sole discretion to change the investment deferral crediting options and procedures from time to time. By electing to defer any amount pursuant to the Plan, each Participant shall thereby acknowledge and agree that the Company is not and shall not be required to make any investment in connection with the Plan, nor is it required to follow the Participant' s hypothetical investment directions in any actual investment it may make or acquire in connection with the Plan or in determining the amount of any actual or contingent liability or obligation of the Company thereunder or relating thereto. Any amounts credited to a Participant' s Account with respect to which a Participant does not provide investment direction shall be credited with earnings in an amount determined by the Committee in its sole discretion or, if an amount is not so determined, such amounts shall bear interest at Moody' s Seasoned Bond Rate plus 3% until further ordered by the Committee or the Board of Directors. A Participant' s Account shall be adjusted as of each business day, except that interest, if any, for a calendar quarter shall be credited on the first day of the following quarter.

5. Payment of Account. The amount of a Participant' s Account shall be paid to the Participant in a lump sum or in a number of approximately equal quarterly installments (not to exceed 40), as designated by the Participant on the Election Agreement. The amount of the Account remaining unpaid shall continue to be credited with gains, losses and earnings, as provided in Section 4 of this Article. The lump sum payment or the first quarterly installment, as the case may be, shall be made on the first day of the calendar quarter following the end of the period of deferral as specified in Section 3 of this Article.

6. Death of Participant. In the event of the death of a Participant, the amount of the Participant' s Account shall be paid to the Beneficiary or Beneficiaries designated in a writing substantially in the form attached hereto as Exhibit B, in accordance with the Participant' s Election Agreement and Section 5 of this Article. A Participant' s Beneficiary designation may be changed at any time prior to

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

his death by execution and delivery of a new Beneficiary designation form. The form on file with the Corporation at the time of the Participant' s death which bears the latest date shall govern. In the absence of a Beneficiary designation or the failure of any Beneficiary to survive the Participant, the amount of the Participant' s Account shall be paid to the Participant' s estate in a lump sum ninety (90) days after the appointment of an executor or administrator. In the event of the death of the Beneficiary or Beneficiaries after the death of a Participant, the remaining amount of the Account shall be paid in a lump sum to the estate of the last Beneficiary to receive payments ninety (90) days after the appointment of an executor or administrator.

7. Small Payments. Notwithstanding the foregoing, if the quarterly installment payments elected by Participant would result in a quarterly payment of less than $500, the entire amount of the Account shall be paid in a lump sum in accordance with Section 5 of this Article.

8. Acceleration. Notwithstanding the foregoing, (i) the entire amount of a Participant' s Account will be paid in a lump sum to the Participant or his Beneficiary in the event of the acquisition of substantially all of the assets of the Company or more than fifty percent (50%) of its stock by any person, firm, corporation or group of related corporations, in a transaction or transactions not approved by the Board of Directors of the Company, provided such transaction constitutes a "change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation" (for purposes of Section 409A of the Code), or (ii) if a Participant incurs an Unforeseeable Emergency, to the extent permitted by Section 409A of the Code, an amount from each Participant' s Account or Accounts shall be immediately paid to the Participant.

ARTICLE III

ADMINISTRATION

The Company, through its Board of Directors, shall be responsible for the general administration of the Plan and for carrying out the provisions hereof. The Board of Directors may delegate any or all of its authority under the Plan to the Committee. The Company shall have all such powers as may be necessary to carry out the provisions of the Plan, including the power to determine all questions relating to eligibility for and the amount in the Account and all questions pertaining to claims for benefits and procedures for claim review; to resolve all other questions arising under the Plan, including any questions of construction; and to take such further action as the Company shall deem advisable in the administration of the Plan. The actions taken and the decisions made by the Company hereunder shall be final and binding upon all interested parties. In accordance with the provisions of Section 503 of the Employee Income Retirement Security Act of 1974, the Company shall provide a procedure for handling claims of Participants or their Beneficiaries under this Plan. Such procedure shall be in accordance with regulations issued by the Secretary of Labor and shall provide adequate written notice within a reasonable period of time with respect to the denial of any such claim as well as a reasonable opportunity for a full and fair review by the Company of any such denial.

ARTICLE IV

AMENDMENT AND TERMINATION

The Company reserves the right to amend or terminate the Plan with respect to any future Year at any time by action of its Board of Directors; provided, however, that no such action shall adversely affect any Participant or Beneficiary who has a Account or shall result in acceleration of payment of the amount of an Account, except as otherwise permitted under the Plan.

ARTICLE V

MISCELLANEOUS

1. Nonalienation of Deferred Compensation. No Participant or Beneficiary shall encumber or dispose of the right to receive any payments hereunder.

2. Interest of Director. The obligation of the Company under the Plan to make payment of amounts reflected on an Account merely constitutes the unsecured promise of only the Company to make payments from its general assets as provided herein, and no Participant or Beneficiary shall have any interest in, or a lien or prior claim upon, any property of the Company. Further, no Participant or Beneficiary shall have any claim whatsoever against any Subsidiary for amounts reflected on an Account. The Company may establish a so-called "rabbi trust" to hold funds, stock or other securities to be used in payment of its obligations under the Plan, and may fund such trust; provided, however, that any funds contained therein shall remain subject to the claims of the Company' s general creditors.

3. Claims of Other Persons. The provisions of the Plan shall in no event be construed as giving any person, firm or corporation any legal or equitable right as against the Company or any subsidiary, or the officers, employees, or directors of the Company or any subsidiary, except any such rights as are specifically provided for in the Plan or are hereafter created in accordance with the terms and provisions of the Plan.

4. Severability. The invalidity and unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provision were omitted herefrom.

5. Governing Law. The provisions of the Plan shall be governed and construed in accordance with the laws of the State of Ohio.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

6. Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Plan and any grants made hereunder comply with the provisions of Section 409A of the Code. The Plan and any grants made hereunder shall be administered in a manner consistent with this intent, and any provision that would cause the Plan or any grant made hereunder to fail to satisfy Section 409A of the Code shall have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Participants).

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 10.10(ii)

DIEBOLD, INCORPORATED
2005 DEFERRED INCENTIVE COMPENSATION PLAN
(Effective as of January 1, 2005)

Diebold, Incorporated establishes, effective as of January 1, 2005, the 2005 Deferred Incentive Compensation Plan for Diebold, Incorporated. Such plan is established to provide the opportunity to defer incentive compensation payments in compliance with Section 409A of the Internal Revenue Code of 1986. Incentive compensation payments (and earnings thereon) that are "deferred" (for purposes of Section 409A of the Internal Revenue Code of 1986) after December 31, 2004 are eligible for deferral in accordance with the provisions of this plan. Incentive compensation payments (and earnings thereon) that are "deferred" (for purposes of Section 409A of the Internal Revenue Code) on or before December 31, 2004 are eligible for deferral in accordance with the provisions of the Amended and Restated 1992 Deferred Incentive Compensation Plan for Diebold, Incorporated.

ARTICLE I

DEFINITIONS

For the purposes hereof, the following words and phrases shall have the meanings indicated.

1. "Account" shall mean a bookkeeping account in which Incentive Compensation which is deferred by a Participant shall be recorded and to which gains, losses, earnings, dividends, distributions and interest may be credited in accordance with the Plan.

2. "Beneficiary" or "Beneficiaries" shall mean the person or persons designated by a Participant in accordance with the Plan to receive payment of the remaining balance of the Participant' s Account in the event of the death of the Participant prior to receipt of the entire amount credited to the Participant' s Account.

3. "Board" shall mean the Board of Directors of the Company.

4. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

5. "Change in Control" shall mean that: (i) The Company is merged or consolidated or reorganized into or with another corporation or other legal person, and as a result of such merger, consolidation or reorganization less than a majority of the combined voting power of the securities of such corporation or person that are outstanding immediately following the consummation of such transaction is held in the aggregate by the holders of Voting Stock (as hereinafter defined) of the Company immediately prior to such transaction;

(ii) The Company sells or otherwise transfers all or substantially all of its assets to any other corporation or other legal person, and as a result of such sale or transfer less than a majority of the combined voting power of the securities of such corporation or person that are outstanding immediately following the consummation of such sale or transfer is held in the aggregate by the holders of Voting Stock (as hereinafter defined) of the Company immediately prior to such sale or transfer;

(iii) There is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report) thereto, each as promulgated pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 20 percent or more of the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors of the Company (the "Voting Stock");

(iv) The Company files a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) that a change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then-existing contract or transaction; or

(v) If during any period of two consecutive years, individuals who at the beginning of any such period constitute the Board cease for any reason to constitute at least a majority of the members thereof, unless the election, or the nomination for election by the Company' s stockholders, of each member of the Board first elected during such period was approved by a vote of at least two-thirds of the members of the Board then still in office who were members of the Board at the beginning of any such period.

Notwithstanding the foregoing provisions of subsection (iii) or (iv) hereof, a "Change in Control" shall not be deemed to have occurred for purposes of this Agreement, either (1) solely because the Company, a Subsidiary, or any Company-sponsored employee stock ownership plan or other employee benefit plan of the Company, files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock, whether in excess of 20 percent or otherwise, or because the Company reports that a change in control of the Company has or may have occurred or will or may occur in the future by reason of such beneficial ownership or (2) solely because of a change in control of any Subsidiary by which any Participant may be employed.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Notwithstanding the foregoing provisions of subsections (i-iv) hereof, if, prior to any event described in subsections (i-iv) hereof that may be instituted by any person who is not an officer or director of the Company, or prior to any disclosed proposal that may be instituted by any person who is not an officer or director of the Company that could lead to any such event, management proposes any restructuring of the Company that ultimately leads to an event described in subsections (i-iv) hereof pursuant to such management proposal, then a "Change in Control" shall not be deemed to have occurred for purposes of the Plan.

6. "Committee" shall mean the Compensation and Pension Committee of the Board or such other Committee as may be authorized by the Board to administer the Plan.

7. "Common Shares" shall mean Common Shares, $1.25 par value, of the Company or any security into which such Common Shares may be changed by reason of any transaction or event of the type referred to in Section 9 of Article II of the Plan.

8. "Company" shall mean Diebold, Incorporated and its successors, including, without limitation, the surviving corporation resulting from any merger or consolidation of Diebold, Incorporated with any other corporation or corporations.

9. "Effective Date" shall mean January 1, 2005.

10. "Election Agreement" shall mean an agreement in substantially the form attached hereto as Exhibit A, as modified from time to time by the Company.

11. "Eligible Associate" shall mean an associate of the Company (or a Subsidiary that has adopted the Plan) who is selected by the Board or a duly authorized committee thereof to participate in this Plan. Unless otherwise determined by the Board or a committee thereof, an Eligible Associate shall continue as such until termination of employment.

12. "Incentive Compensation" shall mean (i) cash incentive compensation earned as an associate pursuant to an incentive compensation plan now in effect or hereafter established by the Company, including, without limitation, the Annual Incentive Plan and the 1991 Plan, and (ii) incentive compensation payable in the form of Common Shares pursuant to the 1991 Plan or any similar plan approved by the Board for purposes of this Plan.

13. "Participant" shall mean any Eligible Associate who has at any time elected to defer the receipt of Incentive Compensation in accordance with the Plan.

14. "Plan" shall mean this deferred incentive compensation plan as amended and restated hereby, together with all amendments hereto, which shall be known as the 2005 Deferred Incentive Compensation Plan for Diebold, Incorporated.

15. "Subsidiary" shall mean any corporation, joint venture, partnership, unincorporated association or other entity in which the Company has a direct or indirect ownership or other equity interest and directly or indirectly owns or controls more than 50 percent of the total combined voting or other decision-making power.

16. "Unforeseeable Emergency" shall mean a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant' s spouse, or a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant' s property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. A withdrawal on account of an Unforeseeable Emergency may be paid to the Participant only if the amounts distributed with respect to an emergency do not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant' s assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

17. "Year" shall mean a calendar year.

18. "1991 Plan" shall mean the Diebold, Incorporated 1991 Equity and Performance Incentive Plan, as amended from time to time.

ARTICLE II

ELECTION TO DEFER

1. Eligibility. An Eligible Associate may elect to defer receipt of all or a specified part of his or her Incentive Compensation for any Year in accordance with Section 2 of this Article. An Eligible Associate' s entitlement to defer shall cease with respect to the Year following the Year in which he or she ceases to be an Eligible Associate.

2. Election to Defer. (i) An Eligible Associate who desires to defer the payment of all or a portion of his or her Incentive Compensation must complete and deliver an Election Agreement to the Secretary of the Company before the first day of the first Year of service for which such Incentive Compensation is payable. An Eligible Associate who timely delivers an Election Agreement to the Secretary of the Company shall be a Participant.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(ii) Notwithstanding the foregoing provision of Subsection (i), any associate who becomes an Eligible Associate after the Effective Date, e.g., new hires or promoted associates, may become a Participant for a Year with respect to services

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

performed subsequent to the filing of an Election Agreement if he or she submits to the Secretary of the Company a properly completed Election Agreement within thirty (30) days after becoming an Eligible Associate.

(iii) Notwithstanding the foregoing provision of Subsection (i), with respect to any "performance-based" compensation (as determined by the Company in accordance with Section 409A of the Code) based on services performed over a period of at least 12 months an Eligible Associate may complete and deliver an Election Agreement to the Secretary of the Company no later than six months before the end of such period.

(iv) An Election Agreement that is timely delivered shall be effective for the succeeding Year and, except as otherwise specified by an Eligible Associate in his or her Election Agreement, shall continue to be effective from Year to Year until revoked or modified by written notice to the Secretary of the Company. Except as provided for in the below provision of Subsection (v), in order to be effective to revoke or modify an election to defer Incentive Compensation otherwise payable for any particular Year, a revocation or modification must be delivered prior to the date that an initial election would be required to be delivered under either Subsection (i) or Subsection (iii) above.

(v) Subject to the approval of the Company, a Participant may make a subsequent election requesting a change in the period of deferral (subject to the limitations set forth in Section 3 of this Article) and/or the form of payment (subject to the limitations set forth in this Section 5). Such subsequent election must meet all of the following requirements and shall be in writing on a form provided by the Company:

(a) the subsequent election shall not take effect until at least 12 months after the date on which such amendment is made;

(b) in the case of a subsequent election related to a payment not made on account of the Participant' s death or an Unforeseeable Emergency, the first payment with respect to which the amendment is made shall in all cases be deferred for a period of not less then 5 years from the date on which such payment otherwise would have been made;

(c) in the case of a subsequent election related to a payment that is to be made at a specified time or pursuant to a fixed schedule, such an amendment of the election must be made at least 12 months prior to the date of the first scheduled payment.

3. Amount Deferred; Period of Deferral. A Participant shall designate on the Election Agreement the percentage of his or her Incentive Compensation that is to be deferred. A Participant may specify in the Election Agreement that different percentages shall apply to different Incentive Compensation plans or different forms of payment, i.e., cash or Common Shares. The applicable percentage or percentages of Incentive Compensation shall be deferred until the earlier to occur of (a) the date the Participant experiences a "separation from service" with the Company (determined in accordance with the standards of Section 409A of the Code); provided, however, that in the case of a Participant who is a "specified employee" (within the meaning of Code Section 409A of the Code), such date shall be as soon as practicable after the date which is six months after the date of the Participant' s separation from service with the Company, or (b) the date specified by the Participant of the Election Agreement.

4. Accounts. (i) Cash Incentive Compensation that a Participant elects to defer shall be treated as if it were set aside in an Account on the date the Incentive Compensation would otherwise have been paid to the Participant. A Participant' s Account shall be credited with gains, losses and earnings based on hypothetical investment directions made by the Participant, in accordance with investment deferral crediting options and procedures adopted by the Committee from time to time. A Participant may change such hypothetical investment directions pursuant to such procedures adopted by the Committee from time to time. The Company specifically retains the right in its sole discretion to change the investment deferral crediting options and procedures from time to time. By electing to defer any amount pursuant to the Plan, each Participant shall thereby acknowledge and agree that the Company is not and shall not be required to make any investment in connection with the Plan, nor is it required to follow the Participant' s hypothetical investment directions in any actual investment it may make or acquire in connection with the Plan or in determining the amount of any actual or contingent liability or obligation of the Company thereunder or relating thereto. Any amounts credited to a Participant' s Account with respect to which a Participant does not provide investment direction shall be credited with earnings in an amount determined by the Committee in its sole discretion or, if an amount is not so determined, such amounts shall bear interest at Moody' s Seasoned Bond Rate plus 3% until further ordered by the Committee or the Board of Directors. A Participant' s Account shall be adjusted as of each business day, except that interest, if any, for a calendar quarter shall be credited on the first day of the following quarter.

(ii) Incentive Compensation payable in the form of Common Shares that a Participant elects to defer shall be reflected in a separate Account, which shall be credited with the number of Common Shares that would otherwise have been issued or transferred and delivered to the Participant. Such Account shall be credited from time to time with amounts equal to dividends or other distributions paid on the number of Common Shares reflected in such Account, and such Account shall be credited with gains, losses and earnings on cash amounts credited to such Account from time to time in the manner provided in Subsection (i) above with respect to Cash Incentive Compensation.

5. Payment of Accounts. The amounts in Participants' Accounts shall be paid as provided in this Section 5.

(i) The amount of a Participant' s Account attributable to deferral of cash Incentive Compensation shall be paid to the Participant in a lump sum or in a number of approximately equal quarterly installments (not to exceed 40), as designated by

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

the Participant in the Election Agreement. The amount of such Account remaining unpaid shall continue to be credited with gains, losses and earnings as provided in Section 4 of this Article. The lump sum payment or the first quarterly installment, as the case may be, shall be made as soon as practicable following the end of the period of deferral as specified in Section 3 of this Article.

(ii) The number of Common Shares in a Participant' s Account attributable to deferral of Incentive Compensation payable in the form of Common Shares shall be issued or transferred to the Participant as soon as practicable following the end of the period of deferral as specified in Section 3 of this Article. All amounts credited to such Account in respect of dividends and distributions, and the gains, losses and earnings thereon as provided in Subsection (ii) of Section 4 of this Article shall likewise be paid to the Participant at such time. Upon application of an Eligible Associate prior to his or her election to defer Incentive Compensation payable in the form of Common Shares, the Committee may authorize payment in installments of the amounts in his or her Account attributable to such Incentive Compensation.

6. Death of a Participant. In the event of the death of a Participant, the amount of the Participant' s Account or Accounts shall be paid to the Beneficiary or Beneficiaries designated in a writing substantially in the form attached hereto as Exhibit B (the "Beneficiary Designation"), in accordance with the Participant' s Election Agreement and Section 5 of this Article. A Participant' s Beneficiary Designation may be changed at any time prior to his or her death by the execution and delivery of a new Beneficiary Designation. The Beneficiary Designation on file with the Company that bears the latest date at the time of the Participant' s death shall govern. In the absence of a Beneficiary Designation or the failure of any Beneficiary to survive the Participant, the amount of the Participant' s Account or Accounts shall be paid to the Participant' s estate in a lump sum 90 days after the appointment of an executor or administrator. In the event of the death of the Beneficiary or Beneficiaries after the death of a Participant, the remaining amount of the Account or Accounts shall be paid in a lump sum to the estate of the last Beneficiary to receive payments 90 days after the appointment of an executor or administrator.

7. Small Payments. Notwithstanding the foregoing, if installment payments elected by a Participant would result in a payment with a value of less than $500, the entire amount of the Participant' s Account or Accounts may at the discretion of the Board be paid in a lump sum in accordance with Section 5 of this Article.

8. Acceleration. Notwithstanding the provisions of the foregoing: (i) if a Change in Control, which constitutes a "change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation" (for purposes of Section 409A of the Code), occurs, the amount of each Participant' s Account or Accounts shall immediately be paid to the Participant in full or (ii) if a Participant incurs an Unforeseeable Emergency, to the extent permitted by Section 409A of the Code, an amount from each Participant' s Account or Accounts shall be immediately paid to the Participant.

9. Adjustments. The Board may make or provide for such adjustments in the numbers of Common Shares credited to Participants' Accounts, and in the kind of shares so credited, as the Board in its sole discretion, exercised in good faith, may determine is equitably required to prevent dilution or enlargement of the rights of Participants that otherwise would result from (i) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (ii) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities, or (iii) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Board, in its discretion, may provide in substitution for any or all Common Shares deliverable under this Plan such alternative consideration as it, in good faith, may determine to be equitable in the circumstances.

10. Fractional Shares. The Company shall not be required to issue any fractional Common Shares pursuant to this Plan. The Board may provide for the elimination of fractions or for the settlement of fractions in cash.

ARTICLE III

ADMINISTRATION

The Company, through its Board, shall be responsible for the general administration of the Plan and for carrying out the provisions hereof. The Board may delegate any or all of its authority under the Plan to the Committee. The Company shall have all such powers as may be necessary to carry out the provisions of the Plan, including the power to (i) determine all questions relating to eligibility for participation in the Plan and the amount in the Account or Accounts of any Participant and all questions pertaining to claims for benefits and procedures for claim review, (ii) resolve all other questions arising under the Plan, including any questions of construction, and (iii) take such further action as the Company shall deem advisable in the administration of the Plan. The actions taken and the decisions made by the Company hereunder shall be final and binding upon all interested parties. In accordance with the provisions of Section 503 of the Employee Retirement Income Security Act of 1974, the Company shall provide a procedure for handling claims of Participants or their Beneficiaries under this Plan. Such procedure shall be in accordance with regulations issued by the Secretary of Labor and shall provide adequate written notice within a reasonable period of time with respect to the denial of any such claim as well as a reasonable opportunity for a full and fair review by the Company of any such denial.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ARTICLE IV

AMENDMENT AND TERMINATION

The Company reserves the right to amend or terminate the Plan with respect to any future Year at any time by action of the Board; provided, however, that no such action shall adversely affect any Participant or Beneficiary who has an Account, or result in the acceleration of payment of the amount of any Account (except as otherwise permitted under the Plan).

ARTICLE V

MISCELLANEOUS

1. Non-alienation of Deferred Compensation. Except as permitted by this Plan, no right or interest under this Plan of any Participant or Beneficiary shall, without the written consent of the Company, be (i) assignable or transferable in any manner, (ii) subject to alienation, anticipation, sale, pledge, encumbrance, attachment, garnishment or other legal process or (iii) in any manner liable for or subject to the debts or liabilities of the Participant or Beneficiary.

2. Participation by Associates of Subsidiaries. An Eligible Associate who is employed by a Subsidiary and elects to participate in the Plan shall participate on the same basis as an associate of the Company. The Account or Accounts of a Participant employed by a Subsidiary shall be paid in accordance with the Plan solely by such Subsidiary to the extent attributable to Incentive Compensation that would have been paid by such Subsidiary in the absence of deferral pursuant to the Plan.

3. Interest of Associate. The obligation of the Company under the Plan to make payment of amounts reflected in an Account merely constitutes the unsecured promise of the Company to make payments from its general assets or in the form of its Common Shares, as the case may be, as provided herein, and no Participant or Beneficiary shall have any interest in, or a lien or prior claim upon, any property of the Company. Further, no Participant or Beneficiary shall have any claim whatsoever against any Subsidiary for amounts reflected in an Account. The Company shall establish a so-called “rabbi trust” to hold funds, Common Shares or other securities to be used in payment of its obligations under the Plan, and may fund such trust; provided, however, that any funds contained therein shall remain subject to the claims of the general creditors of the Company or the Subsidiary for which the Eligible Associate performs services. Nothing in this Plan shall be construed as guaranteeing future employment to Eligible Associates. It is the intention of the Company that the Plan be unfunded for tax purposes and for purposes of Title I of ERISA.

4. Claims of Other Persons. The provisions of the Plan shall in no event be construed as giving any other person, firm or corporation any legal or equitable right as against the Company or any Subsidiary or the officers, associates or directors of the Company or any Subsidiary, except any such rights as are specifically provided for in the Plan or are hereafter created in accordance with the terms and provisions of the Plan.

5. Severability. The invalidity and unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provision were omitted herefrom.

6. Governing Law. Except to the extent preempted by federal law, the provisions of the Plan shall be governed and construed in accordance with the laws of the State of Ohio.

7. Relationship to Other Plans. This Plan is intended to serve the purposes of and to be consistent with the 1991 Plan and any similar plan approved by the Board for purposes of this Plan. The issuance or transfer of Common Shares pursuant to this Plan shall be subject in all respects to the terms and conditions of the 1991 Plan and any other such plan. Without limiting the generality of the foregoing, Common Shares credited to the Accounts of Participants pursuant to this Plan as Incentive Compensation shall be taken into account for purposes of Section 3 of the 1991 Plan (Shares Available Under the Plan) and for purposes of the corresponding provisions of any other such plan.

8. Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Plan and any grants made hereunder comply with the provisions of Section 409A of the Code. The Plan and any grants made hereunder shall be administered in a manner consistent with this intent, and any provision that would cause the Plan or any grant made hereunder to fail to satisfy Section 409A of the Code shall have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Participants).

9. Special Elections. Notwithstanding any other provision of the Plan, on or before December 31, 2005, the Committee may select a participant or participants who will be permitted: (i) to cancel an outstanding deferral election (in whole or in part) in accordance with Question and Answer 20 of the Internal Revenue Service Notice 2005-1, and/or (ii) to make a new payment election with respect to designated deferred amounts in accordance with Question and Answer 19(c) of the Internal Revenue Service Notice 2005-1.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 10.18(vi)

February 8, 2006

Diebold, Incorporated
3800 TABS Drive
Uniontown, Ohio 44685

Dear Bob:

This will confirm our recent conversation regarding your consulting services. Effective January 1, 2006, Diebold, Incorporated and you agree that your Retirement and Consulting Agreement is amended by extending the "Consulting Period", as defined in section 2a of that Agreement, such that the "Consulting Period" now will terminate on December 31, 2008 with the following compensation schedule.

2006 Annual Consulting Fee – $200,000

2007 Annual Consulting Fee – $100,000

2008 Annual Consulting Fee – $50,000

During this timeframe you will also continue to be provided with reasonable and appropriate office space and secretarial support. I fully anticipate your time to also proportionally adjust to these compensation levels through the transition period.

I very much appreciate your past consulting services and look forward to working with you over the next three years.

If this letter accurately reflects our understanding, please indicate your agreement by signing where designated below. I am including two signed originals of this letter so please sign both, return one to me and keep one for your records. Again, thank you very much.

Sincerely yours,

DIEBOLD, INCORPORATED

/s/ Thomas W. Swidarski
Thomas W. Swidarski
President and Chief Executive Officer

Accepted and Agreed to:

/s/ Robert J. Mahoney	3/7/06
(Signature)	*Date*

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 10.24

RSU Agreement

WHEREAS, ____________________ (hereinafter called the "Grantee") is a key associate of Diebold, Incorporated (hereinafter called the "Corporation") or a Subsidiary;

WHEREAS, the execution of an RSU Agreement substantially in the form hereof has been authorized by a resolution of the Compensation Committee (the "Committee") of the Board of Directors of the Corporation (the "Board") duly adopted on ____________________,__________;

NOW, THEREFORE, the Corporation hereby grants to the Grantee effective as of ____________________, __________ (the "Date of Grant"), pursuant to the Corporation' s 1991 Equity and Performance Incentive Plan (As Amended and Restated as of February 7, 2001), and as further amended by Amendments No. 1 and No. 2 (the "Plan"), __________ Deferred Shares in the form of Restricted Stock Units ("RSU' s") subject to the terms and conditions of the 1991 Plan and the terms and conditions described below.

1. Definitions.

As used in this Agreement:

a. "Change in Control" shall be deemed to have occurred if any of the following events shall occur:

i. The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 15% or more of either: (A) the then-outstanding shares of common stock of the Corporation (the "Corporation Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Corporation entitled to vote generally in the election of directors ("Voting Stock"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Corporation, (2) any acquisition by the Corporation, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any Subsidiary of the Corporation, or (4) any acquisition by any Person pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this Section 1(b); or

ii. Individuals who, as of the date hereof, constitute the Board cease for any reason (other than death or disability) to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation' s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Corporation in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14a-11 of the Exchange Act) with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

iii. Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Corporation Common Stock and Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Corporation or all or substantially all of the Corporation' s assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such Business Combination, of the Corporation Common Stock and Voting Stock of the Corporation, as the case may be, (B) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) sponsored or maintained by the Corporation or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 15% or more of, respectively, the then-outstanding shares of common stock of the entity resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board providing for such Business Combination; or

iv. Approval by the shareholders of the Corporation of a complete liquidation or dissolution of the Corporation.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

b. “Deferral Period” means the period commencing ____________________, __________ and ending on ____________________, __________.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

c. Capitalized terms used herein without definition shall have the meanings assigned to them in the 1991 Plan.

2. Payment of RSU' s.

The RSU' s granted hereby shall become payable to the Grantee if they become nonforfeitable in accordance with Section 3, Section 4 or Section 5 hereof.

3. Vesting of RSU' s.

Subject to the terms and conditions of Sections 4, 5 and 6 hereof, the Grantee' s right to receive Common Shares under this Agreement shall become nonforfeitable at the end of the Deferral Period.

4. Effect of Change in Control.

In the event of a Change in Control prior to the end of the Deferral Period, the RSU' s granted hereby shall become nonforfeitable.

5. Effect of Death, Disability or Retirement.

If the Grantee' s employment with the Corporation or one of its Subsidiaries should terminate because of death, permanent total disability or retirement under a retirement plan (including, without limitation, any supplemental retirement plan) of the Corporation or a Subsidiary at or after the earliest voluntary retirement age provided for in any such retirement plan or should retire at an earlier age with the consent of the Committee prior to the end of the Deferral Period, the RSU' s granted hereby shall become nonforfeitable.

6. Effect of Terminations of Employment; Detrimental Activity.

In the event that the Grantee' s employment shall terminate in a manner other than any specified in Section 5 hereof or if the Grantee shall engage in any Detrimental Activity (as defined below), the Grantee shall forfeit any RSU' s that have not become nonforfeitable by such Grantee at the time of such termination; provided, however, that the Board upon recommendation of the Committee may order that any part or all of such RSU' s become nonforfeitable.

7. Form and Time of Payment of RSU' s.

Except as otherwise provided for in Section 12, payment shall be made in the form of the Corporation' s Common Shares at the time they become nonforfeitable in accordance with Section 3, 4 or 5 hereof. To the extent that the Corporation is required to withhold federal, state, local or foreign taxes in connection with the delivery of Common Shares to the Grantee or any other person under this Agreement, the number of Common Shares to be delivered to the Grantee or such other person shall be reduced (based on the Market Value per Share as of the date the RSU' s become payable) to provide for the taxes required to be withheld, with any fractional shares that would otherwise be delivered being rounded up to the next nearest whole share. The Committee may, at its discretion, adopt any alternative method of providing for taxes required to be withheld.

8. Detrimental Activity.

If the Grantee, either during employment by the Corporation or a Subsidiary or within one year after termination of such employment, shall engage in any Detrimental Activity, and the Board shall so find, and (except for any Detrimental Activity described in Section 8(d)(v)(B)) if the Grantee shall not have ceased all Detrimental Activity within 30 days after notice of such finding given within one year after commencement of such Detrimental Activity, the Grantee shall:

a. Return to the Corporation all Common Shares that the Grantee has not disposed of that were paid out pursuant to this Agreement within a period of one year prior to the date of the commencement of such Detrimental Activity, and

b. With respect to any Common Shares that the Grantee has disposed of that were paid out pursuant to this Agreement within a period of one year prior to the date of the commencement of such Detrimental Activity, pay to the Corporation in cash the value of such Common Shares on the date such Common Shares were paid out.

c. To the extent that the amounts referred to in Section 8(a) and (b) above are not paid to the Corporation, the Corporation may set off the amounts so payable to it against any amounts that may be owing from time to time by the Corporation or a Subsidiary to the Grantee, whether as wages, deferred compensation or vacation pay or in the form of any other benefit or for any other reason.

d. For purposes of this Agreement, the term “Detrimental Activity” shall include:

i. Engaging in any activity, as an employee, principal, agent, or consultant for another entity, and in a capacity, that directly competes with the Corporation or any Subsidiary in any actual product, service or business activity (or in any product, service or business activity which was under active development while the Grantee was employed by the Corporation if such development is being actively pursued by the Corporation during the one-year period first referred to in this Section 8) for

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

which the Grantee has had any direct responsibility and direct involvement during the last two years of his or her employment with the Corporation or a Subsidiary, in any territory in which the Corporation or a

---

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Subsidiary manufactures, sells, markets, services, or installs such product or service, or engages in such business activity.

ii. Soliciting any employee of the Corporation or a Subsidiary to terminate his or her employment with the Corporation or a Subsidiary.

iii. The disclosure to anyone outside the Corporation or a Subsidiary, or the use in other than the Corporation or a Subsidiary' s business, without prior written authorization from the Corporation, of any confidential, proprietary or trade secret information or material relating to the business of the Corporation and its Subsidiaries, acquired by the Grantee during his or her employment with the Corporation or its Subsidiaries or while acting as a consultant for the Corporation or its Subsidiaries thereafter.

iv. The failure or refusal to disclose promptly and to assign to the Corporation upon request all right, title and interest in any invention or idea, patentable or not, made or conceived by the Grantee during employment by the Corporation and any Subsidiary, relating in any manner to the actual or anticipated business, research or development work of the Corporation or any Subsidiary or the failure or refusal to do anything reasonably necessary to enable the Corporation or any Subsidiary to secure a patent where appropriate in the United States and in other countries.

v. Activity that results in Termination for Cause. For the purposes of this Section, "Termination for Cause" shall mean a termination:

A. due to the Grantee' s willful and continuous gross neglect of his or her duties for which he or she is employed, or

B. due to an act of dishonesty on the part of the Grantee constituting a felony resulting or intended to result, directly or indirectly, in his or her gain for personal enrichment at the expense of the Corporation or a Subsidiary.

9. Payment of Dividend Equivalents.

During the Deferral Period, from and after the Date of Grant and until the earlier of (a) the time when the RSU' s become payable in accordance with Section 3, Section 4 or Section 5 hereof or (b) the time when the Grantee' s right to receive Common Shares upon payment of RSU' s is forfeited in accordance with Section 6 hereof, the Company shall pay to the Grantee, whenever a dividend is paid on Common Shares (or at such later time as may be consistent with the Corporation' s administrative requirements), an amount of cash equal to the product of the per-share amount of the dividend paid times the number of such RSU' s.

10. RSU' s Non-Transferable.

Neither the RSU' s granted hereby nor any interest therein or in the Common Shares related thereto shall be transferable other than by will or the laws of descent and distribution prior to payment.

11. Dilution and Other Adjustments.

In the event of any change in the aggregate number of outstanding Common Shares by reason of (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Corporation, or (b) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing, then the Committee shall adjust the number of RSU' s then held by the Grantee in such manner as to prevent the dilution or enlargement of the rights of the Grantee that would otherwise result from such event. Furthermore, in the event that any transaction or event described or referred to in the immediately preceding sentence shall occur, the Committee may provide in substitution of any or all of the Grantee' s rights under this Agreement such alternative consideration as the Committee may determine in good faith to be equitable under the circumstances. Such adjustments made by the Committee shall be conclusive and binding for all purposes of this Agreement.

12. Compliance with Section 409A of the Code.

To the extent applicable, it is intended that this Agreement and the Plan comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) do not apply to Grantee. This Agreement and the Plan shall be administered in a manner consistent with this intent, and any provision that would cause the Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of the Grantee). In particular, to the extent the RSU' s become nonforfeitable pursuant to Section 4 or Section 5 and the event causing the RSU' s to become nonforfeitable is the Grantee' s retirement or an event that does not constitute a permitted distribution event under Section 409A(a)(2) of the Code, then notwithstanding anything to the contrary in Section 7 above, issuance of the Common Shares will be made, to the extent necessary to comply with the provisions of Section 409A of the Code, to the Grantee on the earlier of (a) the Grantee' s "separation from service" with the Company (determined in accordance with Section 409A); provided, however, that if the Grantee is a "specified employee" (within the meaning of Section 409A), the Grantee' s date of issuance of the Common Shares shall be the date that is six months after the date of the Grantee' s

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

separation of service with the Company, (b) the end of the Deferral Period, or (c) the Grantee’ s death. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any proposed, temporary or

---

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

13. Employment Rights.

For purposes of this Agreement, the continuous employ of the Grantee with the Corporation or a Subsidiary shall not be deemed interrupted, and the Grantee shall not be deemed to have ceased to be an associate of the Corporation or any Subsidiary, by reason of the transfer of his or her employment among the Corporation and its Subsidiaries. This RSU award is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. This RSU award and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing in this Agreement will give the Grantee any right to continue employment with the Corporation or any Subsidiary, as the case may be, or interfere in any way with the right of the Corporation or a Subsidiary to terminate the employment of the Grantee.

14. Data Privacy.

Information about the Grantee and the Grantee' s participation in the Plan may be collected, recorded, and held, used and disclosed for any purpose related to the administration of the Plan. The Grantee understands that such processing of this information may need to be carried out by the Corporation and its Subsidiaries and by third party administrators whether such persons are located within the Grantee' s country or elsewhere, including the United States of America. The Grantee consents to the processing of information relating to the Grantee and the Grantee' s participation in the Plan in any one or more of the ways referred to above.

15. Plan and Capitalized Terms.

This Agreement is subject to the terms and conditions of the Plan. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan.

16. Amendments.

Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment shall adversely affect the rights of the Grantee with respect to RSU' s without the Grantee' s consent.

17. Validity.

If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision in any other person or circumstances shall not be affected, and the provisions so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

18. Governing Law.

This Agreement is made under, and shall be construed in accordance with the internal substantive laws of the State of Ohio.

The undersigned hereby acknowledges receipt of an executed original of this RSU Agreement and accepts the RSU' s granted thereunder on the terms and conditions set forth herein in the Plan.

Date: ___________ ________________________

[Signature]

Executed in the name and on behalf of the Corporation at North Canton, Ohio as of the __________ day of ____________________, __________.

DIEBOLD, INCORPORATED

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 10.25

Performance Share Agreement

WHEREAS, ____________________ (hereinafter called the "Grantee") is a key associate of Diebold, Incorporated (hereinafter called the "Corporation") or a Subsidiary; and

WHEREAS, the execution of a Performance Share Agreement substantially in the form hereof has been authorized by a resolution of the Compensation Committee (the "Committee") of the Board of Directors of the Corporation (the "Board") duly adopted on ____________________, __________.

NOW, THEREFORE, subject to the terms and conditions of the 1991 Equity and Performance Incentive Plan (As Amended and Restated as of February 7, 2001), and as further amended by Amendment No. 1 and Amendment No. 2 (the "Plan"), and the terms and conditions described below, the Corporation hereby grants to the Grantee as of ____________________, __________, ____________________ Performance Shares, together with the opportunity to earn up to an additional 100% of such number of Performance Shares for superior performance as described herein.

1. Definitions.

As used in this Agreement:

(a) A "Change in Control" shall be deemed to have occurred if any of the following events shall occur:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 15% of more of either: (A) the then-outstanding shares of common stock of the Corporation (the "Corporation Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Corporation entitled to vote generally in the election of directors ("Voting Stock"); provided, however, that for purposes of this subsection (i), the following acquisition shall not constitute a Change in Control (1) any acquisition directly from the Corporation, (2) any acquisition by the Corporation, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any Subsidiary of the Corporation, or (4) any acquisition by any Person pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this Section 1(b); or

(ii) Individuals who, as to the date hereof, constitute the Board cease for any reason (other than death or disability) to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation' s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Corporation in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14a-11 of the Exchange Act) with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Corporation Common Stock and Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Corporation or all or substantially all of the Corporation' s assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such Business Combination, of the Corporation Common Stock and Voting Stock of the Corporation, as the case may be, (B) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) sponsored or maintained by the Corporation or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 15% or more of, respectively, the then-outstanding shares of common stock of the entity resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board providing for such Business Combination; or

(iv) Approval by the shareholders of the Corporation of a complete liquidation or dissolution of the Corporation.

(b) "Management Objectives" means ____________________ goals established by the Board for the Corporation for the Performance Period covered by this Agreement as described in Section 2 of this Agreement.

(c) "Performance Period" means the period commencing with the closing price of the Common Shares of the Corporation on ____________________, __________ through ____________________, __________.

(d) Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan.

2. Management Objectives.

The Management Objectives for the Performance Period covered by this Agreement are set forth on Exhibit B-1. The following applies with respect to the Management Objectives.

(a) Each Management Objective shall be evaluated separately with the total award determined through the matrix set forth on Exhibits B-1 and B-2, which correlates the Corporation' s performance against each Management Objective.

(b) In no event shall the Grantee be entitled to receive more than 200% of the Performance Shares granted hereunder.

3. Grant of Performance Shares.

The Corporation hereby grants to the Grantee the number of Performance Shares specified above, which may be earned by the Grantee during the Performance Period as set forth in Section 4 of this Agreement.

4. Earned Shares.

The Performance Shares granted hereby shall be earned based on the level of the Corporation' s results with respect to each of the Management Objectives established for the Performance Period covered by this Agreement. The number of Performance Shares earned shall be determined based on the level of results of the Management Objectives in accordance with the matrix, which correlates performance against both measures, as set forth on Exhibits B-1 and B-2. No additional Performance Shares shall be earned for results in excess of the maximum level of results for the Management Objectives. If results for a Management Objective are attained at interim levels of performance on the matrix, a proportionate number of Performance Shares shall be earned, as determined by mathematical interpolation, as described by example in Exhibit B-1. If the Corporation' s performance with respect to both Management Objectives is determined to be below the 10th percentile, the number of Performance Shares earned, if any, shall be at the discretion of the Committee, except in the case of Covered Employees.

5. Payment of Awards.

Payment shall be made in the form of the Corporation' s Common Shares, cash or a combination of Common Shares and cash, as determined by the Committee in its sole discretion. Final awards shall be paid, less applicable taxes, as soon as practicable after the receipt of audited financial statements relating to the last fiscal year of the Performance Period covered by this Agreement and the determination by the Committee of the level of attainment of each Management Objective, (but in all events within 2 1/2 months of the last day of the last fiscal year of the Performance Period) except as otherwise agreed to by the Corporation and the Grantee.

Any payment of awards due pursuant to this Agreement to a deceased Grantee shall be paid to the beneficiary designated by the Grantee by the latest Designation of Death Beneficiary in the form attached as Exhibit C hereto filed by the Grantee with the Corporation. If no such beneficiary has been designated or survives the Grantee, payment shall be made to the Grantee' s legal representative. A beneficiary designation may be changed or revoked by a Grantee at any time, provided the change or revocation is filed with the Corporation.

Prior to payment, the Corporation shall only have an unfunded and unsecured obligation to make payment of earned awards to the Grantee.

6. Effect of Change in Control.

In the event of a Change in Control prior to the end of the Performance Period, the Performance Shares granted hereby (and under any prior Performance Share Agreements between the Corporation and the Grantee) shall be deemed to have been earned in full and shall be immediately due and payable in the form of Common Shares as soon as practicable following such Change in Control.

7. Effect of Death, Disability or Retirement.

If the Grantee' s employment with the Corporation or one of its Subsidiaries should terminate because of death, permanent total disability or retirement under a retirement plan (including, without limitation, any supplemental retirement plan) of the Corporation or a Subsidiary at or

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

after the earliest voluntary retirement age provided for in any such retirement plan or should retire at an earlier age with the consent of the Committee, prior to the payment of an award, the extent to which the Performance Shares granted

---

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

hereby shall be deemed to have been earned shall be determined as if the Grantee' s employment had not terminated and the result shall be multiplied by a fraction, the numerator of which is the number of full months the Grantee was employed during the Performance Period and the denominator of which is the total number of months in the Performance Period; provided, however, the Board, upon the recommendation of the Committee may, in its discretion, increase payments made under the foregoing circumstances up to the full amount payable for service throughout the Performance Period.

8. Effect of Other Terminations of Employment; Detrimental Activity.

In the event that the Grantee' s employment shall terminate prior to the payment of an award in a manner other than any specified in Section 7 hereof or if the Grantee shall at any time engage in any Detrimental Activity (as defined below), the Grantee shall forfeit any rights he or she may have in any Performance Shares that have not been paid out to the Grantee prior to the time of such termination; provided, however, that the Board, upon recommendation of the Committee, may order payment of an award in an amount determined as in Section 7 hereof for termination owing to death, disability or retirement, under circumstances which warrant such exceptional treatment in the judgment of the Committee and the Board.

9. Detrimental Activity.

If the Grantee, either during employment by the Corporation or a Subsidiary or within one year after termination of such employment, shall engage in any Detrimental Activity, and the Board shall so find, and (except for any Detrimental Activity described in Section 9(d)(v)(B)) if the Grantee shall not have ceased all Detrimental Activity within 30 days after notice of such finding given within one year after commencement of such Detrimental Activity, the Grantee shall:

(a) Return to the Corporation all Performance Shares that the Grantee has not disposed of and an amount equal to all cash paid out pursuant to this Agreement within a period of one year prior to the date of the commencement of such Detrimental Activity, and

(b) With respect to any Performance Shares that the Grantee has disposed of that were paid out pursuant to this Agreement within a period of one year prior to the date of the commencement of such Detrimental Activity, pay to the Corporation in cash the value of such Performance Shares on the date such Performance Shares were paid out.

(c) To the extent that the amounts referred to in Section 9(a) and (b) above are not paid to the Corporation, the Corporation may set off the amounts so payable to it against any amounts that may be owing from time to time by the Corporation or a Subsidiary to the Grantee, whether as wages, deferred compensation or vacation pay or in the form of any other benefit or for any other reason.

(d) For purposes of this Agreement, the term "Detrimental Activity" shall include:

(i) Engaging in any activity, as an employee, principal, agent, or consultant for another entity, and in a capacity, that directly competes with the Corporation or any Subsidiary in any actual product, service or business activity (or in any product, service or business activity which was under active development while the Grantee was employed by the Corporation if such development is being actively pursued by the Corporation during the one-year period first referred to in this Section 9) for which the Grantee has had any direct responsibility and direct involvement during the last two years of his or her employment with the Corporation or a Subsidiary, in any territory in which the Corporation or a Subsidiary manufactures, sells, markets, services, or installs such product or service, or engages in such business activity.

(ii) Soliciting any employee of the Corporation or a Subsidiary to terminate his or her employment with the Corporation or a Subsidiary.

(iii) The disclosure to anyone outside the Corporation or a Subsidiary, or the use in other than the Corporation or a Subsidiary' s business, without prior written authorization from the Corporation, of any confidential, proprietary or trade secret information or material relating to the business of the Corporation and its Subsidiaries, acquired by the Grantee during his or her employment with the Corporation or its Subsidiaries or while acting as a consultant for the Corporation or its Subsidiaries thereafter.

(iv) The failure or refusal to disclose promptly and to assign to the Corporation upon request all right, title and interest in any invention or idea, patentable or not, made or conceived by the Grantee during employment by the Corporation and any Subsidiary, relating in any manner to the actual or anticipated business, research or development work of the Corporation or any Subsidiary or the failure or refusal to do anything reasonably necessary to enable the Corporation or any Subsidiary to secure a patent where appropriate in the United States and in other countries.

(v) Activity that results in Termination for Cause. For the purposes of this Section, "Termination for Cause" shall mean a termination:

A. due to the Grantee' s willful and continuous gross neglect of his or her duties for which he or she is employed, or

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

B. due to an act of dishonesty on the part of the Grantee constituting a felony resulting or intended to result, directly or indirectly, in his or her gain for personal enrichment at the expense of the Corporation or a Subsidiary.

10. Shares Non-Transferable.

The Performance Shares granted hereby that have not yet been paid out are not transferable other than by will or the laws of descent and distribution.

11. Dilution and Other Adjustments.

In the event of any change in the aggregate number of outstanding Common Shares by reason of any stock dividend or stock split, recapitalization, reclassification, merger, consolidation, combination or exchange of shares or other similar corporate change, then the Committee, shall adjust the Management Objectives and/or the number of Performance Shares then held by the Grantee. Such adjustments made by the Committee shall be conclusive and binding for all purposes of this Agreement.

12. Withholding Taxes.

To the extent that the Corporation is required to withhold federal, state, local or foreign taxes in connection with the delivery of Common Shares to the Grantee or other person under this Agreement, and the amounts available to the Corporation for such withholding are insufficient, it shall be a condition to the receipt of such delivery that the Grantee or such other person will make arrangements satisfactory to the Corporation for payment of the balance of such taxes required to be withheld, which arrangements (in the discretion of the Committee) may include relinquishment of a portion of such benefit. In no event, however, shall the Corporation accept Common Shares for payment of taxes in excess of required tax withholding rates, except that, in the discretion of the Committee, the Grantee or such other person may surrender Common Shares owned for more than 6 months to satisfy any tax obligations resulting from any such transaction.

13. Compliance with Section 409A of the Code.

To the extent applicable, it is intended that this Agreement and the Plan comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) do not apply to Grantee. This Agreement and the Plan shall be administered in a manner consistent with this intent, and any provision that would cause the Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of the Grantee). In particular, to the extent the Performance Shares shall be deemed to be earned upon a Change in Control pursuant to Section 6 and such Change in Control does not constitute a "change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation" (determined in accordance with Section 409A), then notwithstanding that the Performance Shares shall be deemed to be earned upon the Change in Control or anything to the contrary in Section 6, payment which in such case may be in the form of Common Shares, cash or a combination of Common Shares and cash, as determined by the Committee in its sole discretion, will be made, to the extent necessary to comply with the provisions of Section 409A of the Code, to the Grantee on the earlier of (a) the Grantee' s "separation from service" with the Company (determined in accordance with Section 409A); provided, however, that if the Grantee is a "specified employee" (within the meaning of Section 409A), the payment date shall be the date that is six months after the date of the Grantee' s separation of service with the Company, (b) the date payment otherwise would have made under Section 5 above, or (c) the Grantee' s death. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

14. Employment Rights.

For purposes of this Agreement, the continuous employ of the Grantee with the Corporation or a Subsidiary shall not be deemed interrupted, and the Grantee shall not be deemed to have ceased to be an associate of the Corporation or any Subsidiary, by reason of the transfer of his or her employment among the Corporation and its Subsidiaries. This award is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. This award and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing in this Agreement will give the Grantee any right to continue employment with the Corporation or any Subsidiary, as the case may be, or interfere in any way with the right of the Corporation or a Subsidiary to terminate the employment of the Grantee.

15. Data Protection.

Information about the Grantee and the Grantee' s participation in the Plan may be collected, recorded and held, used and disclosed for any purpose related to the administration of the Plan. The Grantee understands that such processing of this information may need to be carried out by the Corporation and its Subsidiaries and by third party administrators whether such persons are located within the Grantee' s country or

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

elsewhere, including the United States of America. The Grantee consents to the processing of information relating to the Grantee and the Grantee' s participation in the Plan in any one or more of the ways referred to above.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

16. Amendments.

Any amendment to the Plan shall be deemed to be an amendment to this agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment shall adversely affect the rights of the Grantee with respect to the Performance Shares without the Grantee' s consent.

17. Validity.

If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision in any other person or circumstances shall not be affected, and the provisions so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.

18. Governing Law.

This Agreement is made under, and shall be construed in accordance with the internal substantive laws of the State of Ohio.

Executed as of the __________ day of ____________________, __________.

DIEBOLD, INCORPORATED

The undersigned hereby acknowledges receipt of an executed original of this Performance Share Agreement and accepts the Performance Shares granted thereunder on the terms and conditions set forth therein and in the Plan.

Date: ____________________

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 13.1

FINANCIAL HIGHLIGHTS
Diebold, Incorporated and Subsidiaries

(In thousands except ratios, employees, shareholders and per share amounts)	2005	2004	Percentage Change
Net sales	$ 2,587,049	$ 2,357,108	9.8
Operating profit	$ 161,269	$ 273,480	(41.0)
Income from continuing operations before taxes	$ 138,251	$ 265,449	(47.9)
Income from continuing operations	$ 82,904	$ 181,809	(54.4)
Net income	$ 96,746	$ 183,797	(47.4)
Diluted earnings per share	$ 1.36	$ 2.53	(46.2)
Capital and rotable expenditures	$ 62,605	$ 61,238	2.2
Research, development and engineering	$ 60,409	$ 58,759	2.8
Depreciation	$ 49,877	$ 53,439	(6.7)
Pretax profit as a percentage of net sales	5.3 %	11.3 %	−
Net cash provided by operating activities	$ 116,865	$ 232,648	(49.8)
Shareholders' equity	$ 1,152,849	$ 1,248,908	(7.7)
Shareholders' equity per share	$ 16.78	$ 17.44	(3.8)
Return on average shareholders' equity	8.1 %	15.4 %	−
Cash dividends paid:			
Total	$ 57,770	$ 53,240	8.5
Per share	$ 0.82	$ 0.74	10.8
Number of employees	14,603	14,376	1.6
Number of shareholders (Note A)	87,011	91,718	(5.1)

Note A − Includes an estimated number of shareholders who have shares held for their accounts by banks, brokers, trustees, for benefit plans and the agent for the dividend reinvestment plan.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands, except share and per share amounts)

OVERVIEW

The table below presents the changes in comparative financial data from 2003 to 2005. Comments on significant year-to-year fluctuations follow the table. The following discussion should be read in conjunction with the Consolidated Financial Statements and the related notes that appear elsewhere in this document.

	2005			2004			2003	
	Amount	Percentage of Net Sales	Percentage Increase (Decrease)	Amount	Percentage of Net Sales	Percentage Increase (Decrease)	Amount	Percentage of Net Sales
Net sales								
Products	$ 1,293,419	50.0	11.7	$ 1,158,340	49.1	14.9	$ 1,008,000	48.3
Services	1,293,630	50.0	7.9	1,198,768	50.9	11.2	1,078,431	51.7
	2,587,049	100.0	9.8	2,357,108	100.0	13.0	2,086,431	100.0
Cost of sales								
Products	952,321	73.6	20.7	789,287	68.1	17.4	672,307	66.7
Services	1,009,246	78.0	12.3	898,925	75.0	12.7	797,321	73.9
	1,961,567	75.8	16.2	1,688,212	71.6	14.9	1,469,628	70.4
Gross profit	625,482	24.2	(6.5)	668,896	28.4	8.4	616,803	29.6
Selling and administrative expense	403,804	15.6	19.9	336,657	14.3	9.9	306,333	14.7
Research, development and engineering expense	60,409	2.3	2.8	58,759	2.5	0.1	58,678	2.8
	464,213	17.9	17.4	395,416	16.8	8.3	365,011	17.5
Operating profit	161,269	6.2	(41.0)	273,480	11.6	8.6	251,792	12.1
Other income (expense) net	(16,189)	(0.6)	–	(313)	–	(104.3)	7,213	0.3
Minority interest	(6,829)	(0.3)	(11.5)	(7,718)	(0.3)	2.3	(7,547)	(0.4)
Income from continuing operations before taxes	138,251	5.3	(47.9)	265,449	11.2	5.6	251,458	12.0
Taxes on income	55,347	2.1	(33.8)	83,640	3.5	4.3	80,188	3.8
Income from continuing operations	82,904	3.2	(54.4)	181,809	7.7	6.2	171,270	8.2
Income from discontinued operations – net of tax	909	–	(54.3)	1,988	0.1	9.5	1,816	0.1
Gain on sale of discontinued operations – net of tax	12,933	0.5	–	–	–	–	–	–
Income from discontinued operations	13,842	0.5	–	1,988	0.1	9.5	1,816	0.1
Net income	$ 96,746	3.7	(47.4)	$ 183,797	7.8	6.2	$ 173,086	8.3

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Over 145 years ago, Diebold went into the business of making strong, reliable safes. Diebold, Incorporated has a long tradition of safeguarding assets and protecting investments. Today, the company is a global leader in providing integrated self-service delivery systems, security and services to customers within the financial, government, and retail sectors. In 2003, the company introduced Opteva, a new ATM line within the financial self-service market that provides a higher level of security, convenience and reliability. Opteva is powered by Agilis, which is a software platform for financial self-service equipment that was developed by the company in 2002. The combination of Opteva and Agilis provides the ability for financial institutions to customize solutions to meet their consumers' demands and positively affect equipment performance, while providing a safer ATM. The Agilis software platform gives customers the ability to run the same software across their entire network, which helps contain costs and improve financial self-service equipment availability. Security features were engineered into the design, including consumer awareness mirrors to discourage shoulder surfing and provide consumers with increased security during ATM transactions. Opteva also includes PIN-pad positioning that helps maintain consumer security, a recessed fascia design, card reader technology with a jitter mechanism, an optional ink-dye system and an envelope depository that is designed to resist trapping. The company' s software includes the industry' s most advanced ATM protection against viruses, worms and other cyber security threats. Diebold is at the forefront in protecting ATMs from threats even before patches are developed and made available. The company established its own Global Security Task Force to collect, analyze, clarify and disseminate news and information about ATM fraud and security. The group includes associates from various departments around the world. These associates work to reduce fraud and to improve security for the industry.

As a result of the company' s continued focus to remain a leader in technology, service and security, growth in product revenue was attributable to favorable reaction by the financial sector to this new generation of financial self-service solutions. In addition to the advances in the company' s product line, the company also made strategic acquisitions during 2005 and 2004, which increased its presence in the security market.

The election systems business continues to be a challenge for the company. In 2004, the company settled the civil action in California with the state of California and Alameda County. The company continues to face a variety of challenges and opportunities in responding to customer needs within the election systems market. A number of individuals and groups have raised challenges in the media and elsewhere, including legal challenges, about the reliability and security of the company' s election systems products and services. The parties making these challenges oppose the use of technology in the electoral process generally and, specifically, have filed lawsuits and taken other actions to publicize what they view as significant flaws in the company' s election management software and firmware. These efforts have adversely affected some of the company' s customer relations with its election systems customers.

As a result of these challenges, and because 2004 was a presidential election year, the company believes that prospective purchases of voting equipment and services by certain government entities were delayed in 2004, which resulted in lower than expected revenue for 2004. Those entities did not want to introduce a new voting solution in a presidential election year and also wanted to see how successful electronic voting was in states that had already implemented the technology. Both the settlement of the civil action and the decrease in revenues resulted in a significant negative impact on margin and earnings per share. As a result of the positive performance of the company' s voting equipment, the positive performance of electronic voting systems in past elections and the Help America Vote Act (HAVA) requirement that jurisdictions must have HAVA-compliant equipment, the company expected to continue participating in new jurisdiction decisions to purchase voting equipment in 2005 and in future years.

Election Systems (ES) revenues for 2005 did increase by $77,040 from 2004, representing a combination of the recapture of delayed sales from 2004 as well as growth from sales generated within 2005. Despite the positive revenue growth in 2005, future delays or increases in the costs of providing products and services may be encountered as a result of possible future challenges, changes in the laws and changes to product specifications, any of which may adversely affect the company' s election systems sales.

The company intends the discussion of its financial condition and results of operations that follows to provide information that will assist in understanding the financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect the 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;
- demand beyond expectations for security products and services for the financial, retail and government sectors;
- implementation and timeline for new election systems in the United States;
- the company' s strong financial position; and
- the company' s ability to successfully integrate acquisitions.

In addition to the business drivers above, as a global operation, the company is exposed to risks that include, but are not limited to:

- competitive pressures, including pricing pressures and technological developments;

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

changes in the company’ s relationships with customers, suppliers, distributors and/or partners in its business ventures;

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

- 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;
- acceptance of the company' s product and technology introductions in the marketplace;
- unanticipated litigation, claims or assessments;
- the company' s ability to reduce costs and expenses and improve internal operating efficiencies;
- the company' s ability to successfully implement measures to improve pricing;
- 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; and
- the company' s ability to achieve benefits from its cost reduction initiatives and other strategic changes.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The consolidated financial statements of the company are prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of the consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Management of the company uses historical information and all available information to make these estimates and assumptions. Actual amounts could differ from these estimates and different amounts could be reported using different assumptions and estimates.

The company' s significant accounting policies are described in Note 1 to the Consolidated Financial Statements. Management believes that, of its significant accounting policies, its policies concerning revenue recognition, allowance for bad debts and credit risk, inventories, goodwill, and pensions and postretirement benefits are the most critical because they are affected significantly by judgments, assumptions and estimates. Additional information regarding these policies is included below.

Revenue Recognition The company' s product revenue consists of sales of ATMs, networking software, servers, electronic security products and voting machines. Service revenue consists of sales of service contracts, installation revenue, maintenance revenue and consultation revenue of bank branch design and security system design. Revenue is recognized only after the earnings process is complete. For product sales, the company determines that the earnings process is complete when the customer has assumed risk of loss of the goods sold and all performance requirements are substantially complete. Election systems revenue is primarily generated through sales contracts consisting of multiple deliverable elements and custom terms and conditions. Each contract is analyzed based on the multiple elements included within the contract. The company determines fair value of deliverables within a multiple element arrangement based on the prices charged when each element is sold separately. Some contracts may contain discounts and, as such, revenue is recognized using the residual value method of allocation of revenue to the product and service components of contracts. For service sales, the earnings process is considered complete once the service has been performed or earned.

Allowance for Bad Debts and Credit Risk The company evaluates the collectibility of accounts receivable based on a number of criteria. A percentage of sales is reserved for uncollectible accounts as sales occur throughout the year. This percentage is based on historical loss experience and current trends. This estimate is periodically adjusted for known events such as specific customer circumstances and changes in the aging of accounts receivable balances. Since the company' s receivable balance is concentrated primarily in the financial and government sectors, an economic downturn in these sectors could result in higher than expected credit losses.

Inventories Domestic inventories are valued at the lower of cost or market applied on a first-in, first-out (FIFO) basis, and international inventories are valued using the average cost method, which approximates FIFO. At each reporting period, the company identifies and writes down its excess and 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.

Goodwill The company tests all existing goodwill at least annually for impairment using the fair value approach on a "reporting unit" basis in accordance with Statement of Financial Accounting Standard (SFAS) No. 142, Goodwill and Other Intangible Assets. The company' s reporting units are defined as Domestic and Canada, Brazil, Latin America, Asia Pacific, Europe, Middle East and Africa (EMEA) and Election Systems. The company uses the discounted cash flow method for determining the fair value of its reporting units. As required by SFAS No. 142, the determination of implied fair value of the goodwill for a particular reporting unit is the excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities in the same manner as the allocation in a business combination. Implied fair value goodwill is determined as the excess of the fair value of the reporting unit over the fair value of its assets and liabilities. The

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

company' s fair value model uses inputs such as estimated future segment performance. The company uses the most current information available and performs the annual impairment analysis during the fourth quarter each year. However, actual circumstances could differ significantly from assumptions and estimates made and could result in future goodwill impairment.

Pensions and Postretirement Benefits Annual net periodic expense and benefit liabilities under the company' s defined benefit plans are

---

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

determined on an actuarial basis. Assumptions used in the actuarial calculations have a significant impact on plan obligations and expense. Annually, management and the investment committee of the Board of Directors review the actual experience compared with the more significant assumptions used and make adjustments to the assumptions, if warranted. The healthcare trend rates are reviewed with the actuaries based upon the results of their review of claims experience. The expected long-term rate of return on plan assets is determined using the plans' current asset allocation and their expected rates of return based on a geometric averaging over 20 years. The discount rate is determined by analyzing the average return of high-quality (i.e., AA-rated) fixed-income investments and the year-over-year comparison of certain widely used benchmark indices as of the measurement date. The rate of compensation increase assumptions reflects the company' s long-term actual experience and future and near-term outlook. Pension benefits are funded through deposits with trustees. The market-related value of plan assets is calculated under an adjusted market value method. The value is determined by adjusting the fair value of assets to reflect the investment gains and losses (i.e., the difference between the actual investment return and the expected investment return on the market-related value of assets) during each of the last five years at the rate of 20 percent per year. Postretirement benefits are not funded and the company' s policy is to pay these benefits as they become due.

The following table highlights the sensitivity of our pension obligations and expense to changes in the healthcare cost trend rate:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost	$ 87	$ (78)
Effect on postretirement benefit obligation	1,507	(1,348)

Amortization of unrecognized net gain or loss resulting from experience different from that assumed and from changes in assumptions (excluding asset gains and losses not yet reflected in market-related value) is included as a component of net periodic benefit cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds five percent of the greater of the projected benefit obligation or the market-related value of plan assets. If amortization is required, the amortization is that excess divided by the average remaining service period of participating employees expected to receive benefits under the plan.

Certain accounting guidance, including the guidance applicable to pensions, does not require immediate recognition of the effects of a deviation between actual and assumed experience or the revision of an estimate. This approach allows the favorable and unfavorable effects that fall within an acceptable range to be netted. Although this netting occurs outside the basic financial statements, the net amount is disclosed as an unrecognized gain or loss in Note 11 to the Consolidated Financial Statements.

Based on the above assumptions, the company expects pension expense to decrease by $6,927 in 2006, decreasing from $15,465 in 2005 to $8,538 in 2006. The 2005 pension expense included one-time charges of approximately $3,800 resulting from a Voluntary Early Retirement Program (VERP) and $3,300 for separation costs of former executives. Changes in any of the aforementioned assumptions could result in changes in the related retirement benefit cost and obligation.

The company' s qualified pension plans remain adequately funded as of December 31, 2005. Voluntary contributions were made in the amount of $16,500 in 2005. Pension expense excludes retiree medical expense, which is also included in operating expenses and was $1,173 and $1,468 in 2005 and 2004, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Capital resources are obtained from income retained in the business, borrowings under the company' s committed and uncommitted credit facilities, long-term industrial revenue bonds, and operating and capital leasing arrangements. Refer to Notes 7 and 8 to the Consolidated Financial Statements regarding information on outstanding and available credit facilities and bonds. Refer to the table which follows for the company' s future commitments relating to operating lease agreements. Management expects that cash provided from operations, available credit, long-term debt and the use of operating leases will be sufficient to finance planned working capital needs, investments in facilities or equipment, and the purchase of company stock. 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. In addition, on March 2, 2006, the company secured fixed-rate long-term financing of $300,000 in order to take advantage of attractive long-term interest rates. Please see Note 21 to the Consolidated Financial Statements for further information.

During 2005, the company generated $116,865 in cash from operating activities, a decrease of $115,783, or 49.8 percent from 2004. Cash flows from operating activities are generated primarily from operating income and controlling the components of working capital. Along with the decrease in operating income, 2005 cash flows from operations were negatively affected by the $97,075 increase in accounts receivable compared with a decrease of $2,293 in 2004. Total sales increased by $229,941 in 2005 versus 2004, while days sales outstanding (DSO) increased two days over the same time period. DSO was 65 days at December 31, 2005 compared with 63 days at December 31, 2004. The deterioration in DSO was mainly due to slower accounts receivable collections in the EMEA region. This deterioration was due in large part to an enterprise resource planning system implementation in that division, which delayed the processing and mailing of invoices. An increase in inventories negatively affected cash flows from operations by $23,558 in 2005, but was $28,872 lower than the increase of $52,430 in 2004. The increase in inventories was due to the impact of transitioning to the new Opteva product solution globally and the phaseout of

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

legacy products, as well as anticipated strong first quarter 2006 orders. Inventory turns improved to 5.8 turns at December 31, 2005 from 5.3 turns at December 31, 2004. The change in certain other assets and liabilities positively affected cash flows from operations by $38,115 as compared with a negative impact of $21,135 in 2004.The change in certain other

---

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

assets and liabilities was primarily the result of an increase in deferred income, and a decrease in estimated income taxes.

The company used $120,413 for investing activities in 2005, a decrease of $63,899 or 34.7 percent over 2004. The decrease over the prior year was the result of lower acquisition investments, which decreased by $34,523, moving from $62,224 in 2004 to $27,701 in 2005. The company' s acquisitions in 2005 and 2004 were in the security market. In addition to decreased acquisition spending, the company had a net increase in investment purchases of $20,850, moving from $40,157 in 2004 to $61,007 in 2005, and received $29,350 in proceeds from the sale of its campus card systems business in 2005.

Cash provided by financing activities was $27,220 in 2005, compared to cash used of $37,571 in 2004. The overall positive impact of cash flow from financing activities was the result of increased net borrowings of $134,853, moving from $79,688 in 2004 to $214,541 in 2005. The increase in net borrowings was partially offset by an increase of $66,311 in company shares repurchased.

The following table summarizes the company' s approximate obligations and commitments to make future payments under contractual obligations as of December 31, 2005:

		Payment due by period			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations	$ 191,872	$ 54,413	$ 82,948	$ 41,005	$ 13,506
Industrial development revenue bonds	13,300	–	–	–	13,300
Financing arrangement	7,023	4,615	2,408	–	–
Notes payable	489,194	34,472	–	454,722	–
Purchase commitments	18,797	6,892	6,892	5,013	–
	$ 720,186	$ 100,392	$ 92,248	$ 500,740	$ 26,806

On March 2, 2006, the company issued senior notes in an aggregate principal amount of $300,000. The maturity date of the senior notes are staggered, with $75,000, $175,000 and $50,000 becoming due in 2013, 2016 and 2018, respectively. The company used $160,000 of the net proceeds from this offering to repay notes payable under its revolving credit facility.

RESULTS OF OPERATIONS

The company has classified the operations of its former campus card system business as a discontinued operation for all periods presented as a result of the sale of this business on July 1, 2005. Income from discontinued operations net of tax in 2005, 2004, and 2003 was 13,842, 1,988, and 1,816, respectively. Included in the income from discontinued operations, net of tax in 2005 was a $12,933 gain from the sale of the campus card system business. The following discussion and analysis reflects the company' s continuing operations.

2005 Comparison with 2004

Net Sales Net sales for 2005 totaled $2,587,049 and were $229,941 or 9.8 percent higher than net sales for 2004. Financial self-service revenue in 2005 increased by $73,855 or 4.4 percent over 2004, primarily due to strong growth in Asia Pacific, Brazil, and Latin America, partially offset by market weakness and customer delayed installations in the North American market. Security solutions revenue increased by $91,742 or 16.1 percent for 2005, due primarily to increases in the retail, government and financial security markets as a result of growth in the market, complemented by growth resulting from strategic acquisitions and increased market share.

Election systems/lottery net sales of $154,376 increased by $64,344 or 71.5 percent compared to 2004. The increase was related to Brazilian lottery systems revenue of $23,062 and higher U.S.-based electronic voting equipment revenue in 2005, as more localities purchased equipment in order to comply with HAVA.

Gross Profit Gross profit for 2005 totaled $625,482 and was $43,414 or 6.5 percent lower than gross profit for 2004. Product gross margin was 26.4 percent in 2005 compared to 31.9 percent in 2004. The decline in product gross margin was due to unfavorable sales mix, lower pricing levels of approximately $16,800, manufacturing and supply chain inefficiencies of $10,025, and higher energy costs of $600. The unfavorable sales mix was driven by a lower mix of revenue from the higher-margin North American regional bank market and increased security and election system revenues, which carry a lower gross margin. In addition, included in product cost of sales were $13,371 of restructuring charges, which adversely affected the product gross margin. Services gross margin for 2005 was 22.0 percent compared with 25.0 percent for 2004. The decline in services gross margin was due to lower pricing levels and higher product maintenance, energy and pension costs. In addition, services gross margin was adversely affected by $4,505 of restructuring charges included in service cost of sales in 2005.

Operating Expenses Total operating expenses for 2005 were 17.9 percent of net sales, up from 16.8 percent for 2004. The increase in operating expenses as a percentage of sales was due in part to higher information technology expenses and professional fees associated with the company' s continued enterprise resource planning and software implementation project. The company also recorded in the fourth quarter $15,490 in expense to reserve for an approximately $32,500 ES trade receivable related primarily to two counties in California. Also

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

included in operating expenses in 2005 were $18,588 in restructuring charges that further adversely affected current year operating expenses as a percentage of sales. Finally, acquisitions which carried a higher operating expense as a percentage of revenues, also affected the year over year comparison.

Other Income (Expense) Investment income for 2005 was $12,165 and decreased $134 or 1.1 percent over investment income for 2004. The decrease was due to a smaller investment portfolio in 2005. Interest expense for 2005 was $16,511 and increased $5,854 or 54.9 percent compared to 2004. The increase was due to higher borrowing rates and higher borrowing levels year over year. Miscellaneous expense, net for 2005 was $11,843 and increased $9,888 from 2004. Included in the increase in miscellaneous expense, net was foreign exchange losses of $9,035. The increase in foreign exchange loss was primarily due to the weakening of the U.S. dollar as compared to the Brazilian real as well as a strengthening of the U.S.-dollar compared to the euro.

Income from Continuing Operations Income from continuing operations for 2005 was $82,904 and decreased $98,905 or 54.4 percent over income from continuing operations for 2004. The decrease was primarily due to lower gross margins, higher operating expense, increased foreign exchange losses and a higher effective tax rate in 2005. The effective tax rate for 2005 was 40.0 percent as compared to 31.5 percent for 2004. The increase in the tax rate was primarily attributable to valuation allowances established in 2005 relating to certain international net operating losses.

Net Income Net income for 2005 was $96,746 and decreased by $87,051 or 47.4 percent over net income for 2004. Included in the decrease in net income is the impact of the increase in the effective tax rate during 2005 and lower income from continuing operations.

Segment Revenue and Operating Profit Summary Diebold North America (DNA) net sales of $1,422,170 for 2005 increased $22,347 or 1.6 percent over 2004 net sales of $1,399,823. The increase in DNA net sales was due to increased revenue from the security solutions product and service offerings which more than offset reduced financial self service product and service offerings. Diebold International (DI) net sales of $1,010,503 for 2005 increased by $143,250 or 16.5 percent over 2004 net sales of $867,253. The increase in DI net sales was attributed to strong revenue growth of $34,636 in Asia Pacific and higher revenue from Latin America of $66,950 and from EMEA of $41,664. During 2005, revenue was positively impacted by the year-over-year strengthening of the Brazilian real, partially offset by a weakening euro and certain other currencies. ES & Other net sales of $154,376 for 2005 increased $64,344 or 71.5 percent over 2004. The increase was related to the result of higher U.S. based revenue in 2005, as more localities purchased electronic voting equipment in order to comply with HAVA.

DNA operating profit for 2005 decreased by $89,575 or 40.7 percent compared to 2004. The decrease was primarily due to unfavorable revenue mix and pricing pressure as well as restructuring charges of $20,326 for 2005. DI operating profit for 2005 decreased by $23,359 or 38.4 percent compared to 2004. The decrease was primarily due to sales mix and restructuring charges of $16,138 for 2005. The operating loss in ES & other decreased by $723 or 9.4 percent, moving from $7,713 in 2004 to $6,990 in 2005. This decrease in ES & other operating loss was a result of higher margins on products sold in 2005.

2004 Comparison with 2003

Net Sales Net sales for 2004 totaled $2,357,108 and were $270,677 or 13.0 percent higher than net sales for 2003. In 2004, the company achieved growth in all sales categories, except election systems/lottery. Financial self-service product revenue increased by $132,754 or 19.5 percent over 2003, due to the continued favorable customer response to the Opteva financial self-service product line in the Americas and Asia-Pacific and the positive currency effects in EMEA of $10,719 and Brazil of $4,979. Opteva orders increased $252,463 in 2004 as compared with 2003. Security product revenue increased by $36,533 or 15.2 percent over 2003, which was attributable to increases in the retail, government and financial security markets as a result of growth in the market, complemented by growth resulting from strategic acquisitions and increased market share. Total service revenue for financial self-service and security solutions increased $111,540 or 10.5 percent over 2003 as the company continued to expand its service customer base through increased market share and acquisitions.

Election systems/lottery net sales of $90,032 decreased by $10,150 or 10.1 percent over 2003 and partially offset the increases in financial self-service and security solutions net sales noted above. The decrease in election systems sales was due to the challenges discussed earlier and because 2004 was a presidential election year.

Gross Profit Gross profit for 2004 totaled $668,896 and was $52,093 or 8.4 percent higher than gross profit in 2003. Product gross margin was 31.9 percent in 2004 compared with 33.3 percent in 2003. Product margins in the United States, excluding election systems, improved slightly while international product margins declined, adversely affecting overall product margins by 1.5 percent. The decline in international product margins was due to significant margin weakness in Europe as a result of pricing pressure in that market. Some pricing pressures were also experienced in Latin America and Asia Pacific, but significantly less than in the European market. The election systems business adversely affected product margins by 0.4 percentage points as a result of lower revenue on fixed costs. Services gross margin in 2004 decreased to 25.0 percent compared with 26.1 percent in 2003. This decline was a result of continued pricing pressures and increased fuel costs. In the United States, services gross margins improved slightly as the company was able to more than offset the increase in fuel costs with the efficiencies gained from field automation initiatives.

Operating Expenses Total operating expenses as a percentage of net sales improved significantly, moving from 17.5 percent in 2003 to 16.8 percent in 2004. The improved leveraging of selling, general and administrative expenses was achieved due to aggressive cost controls on

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

personnel costs, despite the adverse impact of approximately $3,000 in legal and other expenses related to concluding the civil action in the state of California. The aggressive controls on personnel costs included strictly limiting the rate of replacement and new hires,

---

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

limiting base compensation increases and implementing a corporate-wide efficiency program. In addition, the company was able to hold research and development costs flat because of the benefit from ongoing product rationalization created by the Opteva rollout.

Other Income (Expense) Investment income in 2004 decreased $697 or 5.4 percent compared with 2003 investment income, due to a smaller investment portfolio in 2004. The average investment portfolio decreased by $15,260 compared with 2003. Interest expense in 2004 increased $1,306 or 14.0 percent compared with 2003 due to higher borrowing levels in 2004. Miscellaneous, net changed by $5,523 or 154.8 percent moving from an income position of $3,568 in 2003 to an expense position of $1,955 in 2004. The change in miscellaneous, net was a result of approximately $2,700 in legal and other expenses incurred in 2004 related to concluding the civil action in the state of California as well as a 2003 gain of approximately $3,400 from the early buyout of leased ATM equipment which did not reoccur in 2004.

Income from Continuing Operations Income from continuing operations in 2004 was $181,809 and increased $10,539 or 6.2 percent over income from continuing operations for 2003. The increase was primarily due to higher gross margins, lower operating expenses and a higher effective tax rate in 2003. The effective tax rate was 31.5 percent in 2004 as compared with 31.9 percent in 2003. The details of the reconciliation between the U.S. statutory rate and the company' s effective tax rate are included in Note 13 to the Consolidated Financial Statements.

Net Income Net income for 2004 was $183,797 and increased $10,711 or 6.2 percent over net income for 2003. The increase in net income was due to strong revenue performance accompanied with aggressive operating cost controls and a lower effective tax rate, partially offset by lower gross margins and higher other expenses.

Segment Revenue and Operating Profit Summary DNA 2004 net sales of $1,399,823 increased $166,166 or 13.5 percent over 2003 net sales of $1,233,657. The increase in DNA net sales was due to increased product and service revenue from gains in market share for both security and financial self-service and the successful introduction of the Opteva product line. DI 2004 net sales of $867,253 increased by $114,661 or 15.2 percent compared with 2003 net sales of $752,592. The increase in DI net sales was primarily attributed to strong Asia-Pacific revenue growth of $54,744 or 30.7 percent, led by China and India. Also, DI growth was due to higher revenue in Brazil and positive currency impact in EMEA. The Opteva product was certified for use in Asia-Pacific during 2004, leading to increased customer orders. The Opteva product received key customer certifications in Europe in early 2005. ES 2004 net sales of $90,032 decreased by $10,150 or 10.1 percent compared with 2003 net sales of $100,182 due to challenges and opportunities in responding to customer needs within the election systems market discussed previously.

DNA operating profit in 2004 increased by $44,397 or 25.2 percent compared with 2003 due to increased sales and efficiencies gained from various internal cost control initiatives discussed previously. DI operating profit in 2004 decreased by $8,877 or 12.7 percent compared with 2003. This decrease was due to reduced profitability in EMEA, as a result of increased pricing pressure that resulted in lower operating profit margins. ES & other operating profits declined from $6,119 in 2003 to a loss of $7,713 in 2004. The $13,832 or 226.1 percent decrease in ES operating profit was a result of lower revenue as well as product recertification, legal and other expenses related to concluding the civil action in the state of California.

Refer to Note 16 to the Consolidated Financial Statements for further details of segment revenue and operating profit.

RECENT ACCOUNTING PRONOUNCEMENTS

In November 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 151, *Inventory Costs*, which is an amendment of Accounting Research Bulletin No. 43, Chapter 4, *Inventory Pricing*. This statement clarifies that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) should be recognized as current period charges. The provisions of this statement are effective for inventory costs incurred during the fiscal year beginning after June 15, 2005 and are applied on a prospective basis. The company, however, elected to early adopt the statement as of January 1, 2005, because the company' s policies related to such inventory costs are already consistent with SFAS No. 151 related to such inventory costs. As such, adoption of the standard did not affect the company' s consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment*, which is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*. SFAS No. 123(R) supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends SFAS No. 95, *Statement of Cash Flows*. Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. Also, SFAS No. 123(R) provides significant additional guidance regarding the valuation of employee stock options. While SFAS No. 123(R) does not require the use of a specific option-pricing model, it does indicate that lattice models usually will provide a better estimate of fair value of an employee stock option. The company currently prepares the pro forma disclosures required under SFAS No. 123 using the Black-Scholes option-pricing model.

On April 14, 2005, the SEC announced a deferral of the effective date of SFAS No. 123(R) for calendar year companies until the beginning of 2006. Early adoption is permitted in periods in which financial statements have not yet been issued. The company adopted SFAS

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

No. 123(R) on January 1, 2006 using the modified-prospective method. SFAS No. 123(R) permits public companies to adopt its requirements using one of two methods:

A “modified prospective” method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS No. 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123(R) that remain unvested on the effective date.

A “modified retrospective” method that includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under SFAS No. 123 for purposes of pro forma disclosures of either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

As permitted by SFAS No. 123, the company currently accounts for share-based payments to employees using the APB Opinion No. 25 intrinsic-value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of the SFAS No. 123(R) fair value method will affect the company’ s results of operations. The company estimates that the impact of adoption of SFAS No. 123(R) on 2005 compensation expense would have been approximately $7,600, excluding tax. The company has completed its analysis of the impact of adoption of SFAS No. 123(R) for 2006. It is expected that the impact will result in approximately $7,800, excluding tax, of additional compensation expense in 2006. The company has not concluded its analysis of the tax impact of adoption of SFAS No. 123(R) for 2006. Had the company adopted SFAS No. 123(R) in prior periods, the impact of that standard would have approximated the impact of SFAS No. 123 as described in the disclosure of pro forma net income and earnings per share in Note 1 to the Consolidated Financial Statements. SFAS No. 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections* which supersedes APB 20, *Accounting Changes* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. SFAS No. 154 changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No. 154 also carries forward without change the guidance contained in APB 20 for reporting the correction of an error in previously issued financial statements and a change in accounting estimate.

SFAS No. 154 requires retrospective application to prior periods’ financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The correction of an error in previously issued financial statements is not a change in accounting principle. However, the reporting of an error correction involves adjustments to previously issued financial statements similar to those generally applicable to reporting an accounting change retroactively. Therefore, the reporting of a correction of an error by restating previously issued financial statements is also addressed by SFAS No. 154. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The company does not believe that the adoption of this statement will have a material impact on its financial condition or results of operations.

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 unfavorable movement in the applicable foreign exchange rates would have resulted in a decrease in 2005 and 2004 year-to-date operating profit of approximately $6,002 and $7,200, respectively. The sensitivity model assumes an instantaneous, parallel shift in the foreign currency exchange rates. Exchange rates rarely move in the same direction. The assumption that exchange rates change in an instantaneous or parallel fashion may overstate the impact of changing exchange rates on amounts denominated in a foreign currency.

The company’ s risk-management strategy uses derivative financial instruments such as forwards to hedge certain foreign currency exposures. The intent is to offset gains and losses that occur on the underlying exposures, with gains and losses on the derivative contracts hedging these exposures. The company does not enter into derivatives for trading purposes. The company’ s primary exposures to foreign exchange risk are movements in the dollar/euro and dollar/real rates. There were no significant changes in the company’ s foreign exchange risks in 2005 compared with 2004.

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 $489,194 and $289,510 at December 31, 2005 and 2004, respectively. A one percent increase or decrease in interest rates would have resulted in an increase or decrease in interest expense of approximately $4,850 and $2,800 for 2005 and 2004, respectively. The company’ s primary exposure to interest rate risk is movements in the LIBOR rate, which is consistent with prior periods.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

CONSOLIDATED BALANCE SHEETS at December 31,
Diebold, Incorporated and subsidiaries
(In thousands, except share and per share amounts)

	2005	2004
ASSETS		
Current assets		
Cash and cash equivalents	$ 207,900	$ 184,045
Short-term investments	52,885	31,654
Trade receivables, less allowances of $27,216 for 2005 and $10,176 for 2004	676,361	583,658
Inventories	341,614	322,293
Deferred income taxes	57,215	32,101
Prepaid expenses	20,816	22,892
Other current assets	71,089	57,989
Total current assets	1,427,880	1,234,632
Securities and other investments	54,154	52,248
Property, plant and equipment, at cost	606,085	614,114
Less accumulated depreciation and amortization	329,119	346,024
	276,966	268,090
Goodwill	389,134	412,625
Other assets	205,059	167,957
	$ 2,353,193	$ 2,135,552
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Notes payable	$ 34,472	$ 289,510
Accounts payable	180,725	140,324
Estimated income taxes	–	14,781
Deferred income	136,135	92,862
Other current liabilities	228,699	202,713
Total current liabilities	580,031	740,190
Notes payable – long term	454,722	–
Pensions and other benefits	39,856	41,109
Postretirement and other benefits	31,369	36,910
Deferred income taxes	49,035	11,579
Other long-term liabilities	23,785	31,324
Minority interest	21,546	25,532
Shareholders' equity		
Preferred shares, no par value, authorized 1,000,000 shares, none issued	–	–
Common shares, par value $1.25, Authorized 125,000,000 shares, issued 74,726,031 and 74,233,384 shares, respectively outstanding 68,721,847 and 71,592,293 shares, respectively	93,408	92,792
Additional capital	199,033	179,259
Retained earnings	1,140,468	1,101,492
Treasury shares, at cost (6,004,184 and 2,641,091 shares, respectively)	(256,336)	(113,687)
Accumulated other comprehensive loss	(23,437)	(10,738)
Other	(287)	(210)
Total shareholders' equity	1,152,849	1,248,908
	$ 2,353,193	$ 2,135,552

See accompanying Notes to Consolidated Financial Statements.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

CONSOLIDATED STATEMENTS OF INCOME Years ended December 31,
Diebold, Incorporated and subsidiaries
(In thousands, except per share amounts)

	2005	2004	2003
Net sales			
Products	$ 1,293,419	$ 1,158,340	$ 1,008,000
Services	1,293,630	1,198,768	1,078,431
	2,587,049	2,357,108	2,086,431
Cost of sales			
Products	952,321	789,287	672,307
Services	1,009,246	898,925	797,321
	1,961,567	1,688,212	1,469,628
Gross profit	625,482	668,896	616,803
Selling and administrative expense	403,804	336,657	306,333
Research, development and engineering expense	60,409	58,759	58,678
	464,213	395,416	365,011
Operating profit	161,269	273,480	251,792
Other income (expense)			
Investment income	12,165	12,299	12,996
Interest expense	(16,511)	(10,657)	(9,351)
Miscellaneous, net	(11,843)	(1,955)	3,568
Minority interest	(6,829)	(7,718)	(7,547)
Income from continuing operations before taxes	138,251	265,449	251,458
Taxes on income	55,347	83,640	80,188
Income from continuing operations	82,904	181,809	171,270
Income from discontinued operations − net of tax	909	1,988	1,816
Gain on sale of discontinued operations − net of tax	12,933	–	–
Income from discontinued operations	13,842	1,988	1,816
Net income	$ 96,746	$ 183,797	$ 173,086
Basic weighted-average number of shares	70,577	72,000	72,417
Diluted weighted-average number of shares	70,966	72,534	72,924
Basic earnings per share:			
Income from continuing operations	$ 1.17	$ 2.52	$ 2.37
Income from discontinued operations	$ 0.20	$ 0.03	$ 0.02
Net income	$ 1.37	$ 2.55	$ 2.39
Diluted earnings per share:			
Income from continuing operations	$ 1.17	$ 2.50	$ 2.35
Income from discontinued operations	$ 0.19	$ 0.03	$ 0.02
Net income	$ 1.36	$ 2.53	$ 2.37

See accompanying Notes to Consolidated Financial Statements.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Diebold, Incorporated and subsidiaries
(In thousands, except share amounts)

	Common Shares								
	Number	Par Value	Additional Capital	Retained Earnings	Treasury Shares	Comprehensive Income (Loss)	Accumulated Other Comprehensive Loss	Other	Total
Balance, January 1, 2003	72,989,492	$ 91,237	$ 130,995	$ 847,091	$ (30,191)		$ (102,413)	$ (5,613)	$ 931
Net income				173,086		$ 173,086			173
Translation adjustment						58,294			58,
Pensions						(610)			(61
Unrealized gain on investment securities						1,674			1,6
Other comprehensive income						59,358	59,358		
Comprehensive income						$ 232,444			
Stock options exercised	662,035	827	22,701						23,
Restricted shares	10,000	13	375					5,272	5,6
Performance shares	17,960	22	844						866
DIMS acquisition	115,929	145	4,695						4,8
Dividends declared and paid				(49,242)					(49
Treasury shares					(12,371)				(12
Balance, December 31, 2003	73,795,416	$ 92,244	$ 159,610	$ 970,935	$ (42,562)		$ (43,055)	$ (341)	$ 1,1
Net income				183,797		$ 183,797			183
Translation adjustment						33,027			33,
Pensions						(710)			(71
Other comprehensive income						32,317	32,317		
Comprehensive income						$ 216,114			
Stock options exercised	302,754	379	11,217						11,
Restricted shares	5,000	6	259					131	396
Restricted stock units	200		10						10
Performance shares	130,014	163	6,723						6,8
NCI acquisition			1,440		3,127				4,5
Dividends declared and paid				(53,240)					(53
Treasury shares					(74,252)				(74

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Balance, December 31, 2004	74,233,384	$ 92,792	$ 179,259	$ 1,101,492	$ (113,687)		$ (10,738)	$ (210)	$ 1,2
Net income				96,746		$ 96,746			96,
Translation adjustment						(16,053)			(16
Pensions						3,354			3,3
Other comprehensive loss						(12,699)	(12,699)		
Comprehensive income						$ 84,047			
Stock options exercised	332,412	416	11,356						11,
Restricted shares	9,050	11	467					(77)	401
Restricted stock units	3,140	4	149						153
Performance shares	148,045	185	7,802						7,9
Dividends declared and paid				(57,770)					(57
Treasury shares					(142,649)				(14
Balance, December 31, 2005	74,726,031	$ 93,408	$ 199,033	$ 1,140,468	$ (256,336)		$ (23,437)	$ (287)	$ 1,1

See accompanying Notes to Consolidated Financial Statements.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

CONSOLIDATED STATEMENTS OF CASH FLOWS Years ended December 31,
Diebold, Incorporated and subsidiaries
(In thousands)

	2005	2004	2003
Cash flow from operating activities:			
Net income	$ 96,746	$ 183,797	$ 173,086
Adjustments to reconcile net income to cash provided by operating activities:			
Income from discontinued operations	(909)	(1,988)	(1,816)
Minority interest	6,829	7,718	7,547
Depreciation and amortization	76,239	74,983	68,698
Deferred income taxes	10,063	28,486	(10,166)
Gain on sale of discontinued operations	(20,290)	–	–
Loss on sale of assets, net	5,327	412	540
Cash provided (used) by changes in certain assets and liabilities:			
Trade receivables	(97,075)	2,293	(128,929)
Inventories	(23,558)	(52,430)	(10,541)
Prepaid expenses	1,860	(6,402)	1,585
Other current assets	(15,982)	(407)	30,423
Accounts payable	39,500	17,321	15,402
Certain other assets and liabilities	38,115	(21,135)	57,682
Net cash provided by operating activities	116,865	232,648	203,511
Cash flow from investing activities:			
Proceeds from sale of discontinued operations	29,350	–	–
Payments for acquisitions, net of cash acquired	(27,701)	(62,224)	(10,611)
Proceeds from maturities of investments	40,178	12,418	51,134
Proceeds from sales of investments	–	–	31,505
Payments for purchases of investments	(61,007)	(40,157)	(56,974)
Capital expenditures	(48,454)	(50,200)	(48,262)
Rotable spares expenditures	(14,151)	(11,038)	(24,558)
Increase in certain other assets	(38,628)	(33,111)	(48,143)
Net cash used by investing activities	(120,413)	(184,312)	(105,909)
Cash flow from financing activities:			
Dividends paid	(57,770)	(53,240)	(49,242)
Notes payable borrowings	1,184,746	917,632	447,324
Notes payable repayments	(970,205)	(837,944)	(502,153)
Distribution of affiliates' earnings to minority interest holder	(805)	(540)	(359)
Issuance of common shares	9,462	8,418	17,457
Repurchase of common shares	(138,208)	(71,897)	(2,739)
Net cash provided (used) by financing activities	27,220	(37,571)	(89,712)
Effect of exchange rate changes on cash	183	3,329	6,615
Increase in cash and cash equivalents	23,855	14,094	14,505
Cash and cash equivalents at the beginning of the year	184,045	169,951	155,446
Cash and cash equivalents at the end of the year	$ 207,900	$ 184,045	$ 169,951
Cash paid for:			
Income taxes	$ 59,803	$ 85,893	$ 40,944
Interest	16,274	10,430	10,090
Significant noncash items:			
Issuance of treasury shares for NCI acquisition	$ –	$ 4,567	$ –
Issuance of common shares for DIMS acquisition	–	–	4,840

See accompanying Notes to Consolidated Financial Statements.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts and as noted)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation The Consolidated Financial Statements include the accounts of the company and its wholly and majority owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Statements of Cash Flows For the purpose of the Consolidated Statements of Cash Flows, the company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

International Operations The financial statements of the company's international operations are measured using local currencies as their functional currencies, with the exception of Venezuela, Argentina and Ecuador, which are measured using the U.S. dollar as their functional currency. The company translates the assets and liabilities of its non-U.S. subsidiaries at the exchange rates in effect at year-end and the results of operations at the average rate throughout the year. The translation adjustments are recorded directly as a separate component of shareholders' equity, while transaction gains (losses) are included in net income. Sales to customers outside the United States approximated 42.0 percent of net sales in 2005, 39.7 percent of net sales in 2004 and 37.3 percent of net sales in 2003.

Financial Instruments The carrying amount of financial instruments, including cash and cash equivalents, trade receivables and accounts payable, approximated their fair value as of December 31, 2005 and 2004 because of the relatively short maturity of these instruments.

Revenue Recognition The company's revenue recognition policy is consistent with the requirements of Statement of Position (SOP) 97-2, *Software Revenue Recognition* and Staff Accounting Bulletin 104 (SAB 104). In general, the company records revenue when it is realized, or realizable and earned. The company considers revenue to be realized or realizable and earned when the following revenue recognition requirements are met: persuasive evidence of an arrangement exists, which is a customer contract; the products or services have been provided to the customer; the sales price is fixed or determinable within the contract; and collectibility is probable. The sales of the company's products do not require significant production, modification or customization of the hardware or software after it is shipped.

The company offers the following product groups and related services to its customers:

Self-Service Products Self-service products pertain to Automated Teller Machines (ATMs). Included within the ATM is software, which operates the ATM. As such, the related software is considered an integral part of the equipment since without it, the equipment can not function. Revenue is recognized in accordance with Statement of Position (SOP) 97-2, *Software Revenue Recognition*. The company also provides service contracts on ATMs.

Service contracts typically cover a 12-month period and can begin at any given month during the year after the standard 90-day warranty period expires. The service provided under warranty is significantly limited as compared to those offered under service contracts. Further, warranty is not considered a separate element of the sale. The company's warranties cover only replacement of parts inclusive of labor. Service contracts are tailored to meet the individual needs of each customer. Service contracts provide additional services beyond those covered under the warranty, and usually include preventative maintenance service, cleaning, supplies stocking and cash handling all of which are not essential to the functionality of the equipment. For sales of service contracts, where the service contract is the only element of the sale, revenue is recognized ratably over the life of the contract period. In contracts that involve multiple-element arrangements, amounts deferred for services are determined based upon vendor specific objective evidence of the fair value of the elements as prescribed in SOP 97-2. The company determines fair value of deliverables within a multiple element arrangement based on the price charged when each element is sold separately.

Physical Security and Facility Products The company's Physical Security and Facility Products division designs and manufactures several of the company's financial service solutions offerings, including the RemoteTeller™ System (RTS). The business unit also develops vaults, safe deposit boxes and safes, drive-up banking equipment and a host of other banking facilities products. Revenue on sales of the products described above is recognized when the four revenue recognition requirements of SAB 104 have been met.

Election Systems The company, through its wholly owned subsidiaries, Diebold Election Systems, Inc. (DESI) and Amazonia Industria Eletronica S.A. Procomp, offers electronic voting systems. Election systems revenue consists of election equipment, software, training, support, installation and maintenance. The election equipment and software components are included in product revenue. The training, support, installation and maintenance components are included in service revenue. The election systems contracts contain multiple deliverable

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

elements and custom terms and conditions. The company recognizes revenue for delivered elements only when the fair values of undelivered elements are known, uncertainties regarding customer acceptance are resolved and there are no customer-negotiated refund or return rights affecting the revenue recognized for delivered elements. The company determines fair value of deliverables within a multiple element arrangement based on the price charged when each element is sold separately. Some contracts may contain discounts and, as such, revenue is recognized using the residual value method of allocation of revenue to the product and service components of contracts.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Revenue on election systems contracts is recognized in accordance with SOP 97-2.

Integrated Security Solutions Diebold Integrated Security Solutions provide global sales, service, installation, project management and monitoring of original equipment manufacturer (OEM) electronic security products to financial, government, retail and commercial customers. These solutions provide the company' s customers a single-source solution to their electronic security needs. Revenue is recognized in accordance with SAB 104. Revenue on sales of the products described above is recognized upon shipment, installation or customer acceptance of the product as defined in the customer contract. In contracts that involve multiple-element arrangements, amounts deferred for services are determined based upon vendor specific objective evidence of the fair value of the elements as prescribed in EITF 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables*.

Software Solutions and Services The company offers software solutions consisting of multiple applications that process events and transactions (networking software) along with the related server. Sales of networking software represent software solutions to customers that allow them to network various different vendors' ATMs onto one network and revenue is recognized in accordance with SOP 97-2.

Included within service revenue is revenue from software support agreements, which are typically 12 months in duration and pertain to networking software. For sales of software support agreements, where the agreement is the only element of the sale, revenue is recognized ratably over the life of the contract period. In contracts that involve multiple-element arrangements, amounts deferred for support are determined based upon vendor specific objective evidence of the fair value of the elements as prescribed in SOP 97-2.

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

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

Research, Development and Engineering Total research, development and engineering costs charged to expense were $60,409, $58,759 and $58,678 in 2005, 2004 and 2003, respectively.

Advertising Costs Advertising costs are expensed as incurred. Total advertising costs charged to expense were $12,725, $12,557 and $12,086 in 2005, 2004 and 2003, respectively.

Stock-based Compensation Compensation cost is measured on the date of grant only if the current market price of the underlying stock exceeds the exercise price. The company provides pro forma net income and pro forma net earnings per share disclosures for employee stock option grants made in 1995 and subsequent years as if the fair value based method had been applied in accordance with SFAS No. 123, *Accounting for Stock Based Compensation*. The company' s stock options are accounted for in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees*. As a result, no compensation expense has been recognized in the "as reported" amounts listed in the table below.

In the following chart, the company provides net income and basic earnings per share reduced by the pro forma amounts calculating compensation cost for the company' s fixed stock option plan under the fair-value method. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions for 2005, 2004 and 2003, respectively: risk-free interest rate of 3.8, 2.8 and 2.8 percent; dividend yield of 1.6, 1.5 and 1.8 percent; volatility of 30, 38 and 41 percent; and average expected lives of six years for management and four years for executive management and nonemployee directors.

	2005	2004	2003
Income from continuing operations			
As reported	$ 82,904	$ 181,809	$ 171,270
Pro forma	$ 78,288	$ 177,305	$ 167,270
Net income			
As reported	$ 96,746	$ 183,797	$ 173,086
Pro forma	$ 92,130	$ 179,293	$ 169,086
Basic earnings per share:			
Income from continuing operations − as reported	$ 1.17	$ 2.52	$ 2.37
Income from continuing operations − pro forma	$ 1.11	$ 2.46	$ 2.31
Net income − as reported	$ 1.37	$ 2.55	$ 2.39
Net income − pro forma	$ 1.31	$ 2.49	$ 2.33
Diluted earnings per share:			
Income from continuing operations − as reported	$ 1.17	$ 2.50	$ 2.35
Income from continuing operations − pro forma	$ 1.10	$ 2.44	$ 2.29
Net income − as reported	$ 1.36	$ 2.53	$ 2.37
Net income − pro forma	$ 1.30	$ 2.47	$ 2.32
Weighted-average fair value of options granted during the year	$ 13	$ 16	$ 12

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Earnings per Share Basic earnings per share are computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if common stock equivalents were exercised and then shared in the earnings of the company.

Trade Receivables The concentration of credit risk in the company' s trade receivables with respect to financial and government sectors is substantially mitigated by the company' s credit evaluation process and the geographical dispersion of sales transactions from a large number of individual customers. The company maintains allowances for potential credit losses, and such losses have been minimal and within

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

management' s expectations except for a fourth quarter expense of $15,490 to reserve for an approximate $32,500 election systems trade receivable related primarily to two counties in California. The allowance for doubtful accounts is estimated based on various factors including revenue, historical credit losses and current trends.

Inventories Domestic inventories are valued at the lower of cost or market applied on a first-in, first-out (FIFO) basis, and international inventories are valued using the average cost method, which approximates FIFO. At each reporting period, the company identifies and writes down its excess and 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.

Other assets Included in other assets are capitalized computer software development costs of $30,841 and $29,518 as of December 31, 2005 and 2004, respectively. Amortization expense on capitalized software was $11,417, $10,039 and $9,152 for 2005, 2004 and 2003, respectively. Other long-term assets also consist of pension assets, finance receivables, tooling, investment in service contracts and customer demonstration equipment. Where applicable, other assets are stated at cost and, if applicable, are amortized ratably over the relevant contract period or the estimated life of the assets of three to five years.

Goodwill Goodwill is the cost in excess of the net assets of acquired businesses. These assets are stated at cost and, effective January 1, 2002, are not amortized, but evaluated at least annually for impairment, in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 establishes accounting and reporting standards for acquired goodwill and other intangible assets in that goodwill and other intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives.

Under SFAS No. 142, the company is required to test all existing goodwill for impairment on a "reporting unit" basis. The reporting units were determined on a geographical basis that combines two or more component-level reporting units with similar economic characteristics within a single reporting unit. A fair-value approach is used to test goodwill for impairment. The company uses the discounted cash flow method for determining the fair value of its reporting units. As required by SFAS No. 142, the determination of implied fair value of the goodwill for a particular reporting unit is the excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities in the same manner as the allocation in a business combination. Implied fair value goodwill is determined as the excess of the fair value of the reporting unit over the assets and liabilities. When available and as appropriate, comparative market multiples were used to corroborate results of the discounted cash flows. An impairment charge is recognized for the amount, if any, by which the carrying amount of goodwill exceeds its implied fair value. The annual impairment tests were performed as of November 30, 2005, 2004 and 2003 and resulted in no impairment charges.

The changes in carrying amount of goodwill for the years ended December 31, 2005 and 2004 are as follows:

	DNA	DI	ES & Other	Total
Balance at January 1, 2004	$ 26,928	$ 258,100	$ 46,618	$ 331,646
Goodwill of acquired businesses & purchase accounting adjustments	53,757	5,241	-	58,998
Currency translation adjustment	113	21,868	-	21,981
Balance at December 31, 2004	$ 80,798	$ 285,209	$ 46,618	$ 412,625
Goodwill of acquired businesses & purchase accounting adjustments	(16,628)	3,843	-	(12,785)
Currency translation adjustment	70	(10,776)	-	(10,706)
Balance at December 31, 2005	$ 64,240	$ 278,276	$ 46,618	$ 389,134

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

Deferred Income Deferred income is largely related to service contracts and deferred installation revenue. Service contract revenue may be billed in advance of the service period. Service contract revenue is recognized as it is earned on a straight-line basis over the contract period.

Comprehensive Income (Loss) The company displays comprehensive income (loss) in the Consolidated Statements of Shareholders' Equity and accumulated other comprehensive loss separately from retained earnings and additional capital in the Consolidated Balance Sheets and Statements of Shareholders' Equity. Items considered to be other comprehensive income (loss) include adjustments made for foreign currency translation (under SFAS No. 52), pensions (under SFAS No. 87) and unrealized holding gains and losses on available-for-sale securities (under SFAS No. 115).

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Accumulated other comprehensive loss consists of the following:

	2005	2004	2003
Translation adjustment	$ (18,835)	$ (2,783)	$ (35,810)
Pensions less accumulated taxes of $(1,572), $(3,541) and $(3,159), respectively	(4,602)	(7,955)	(7,245)
	$ (23,437)	$ (10,738)	$ (43,055)

Translation Adjustments Are Not Booked Net of Tax. Those adjustments are accounted for under the indefinite reversal criterion of APB Opinion No. 23, *Accounting for Income Taxes − Special Areas*.

NOTE 2: SECURITIZATIONS

In 2001, the company entered into a securitization agreement, which involved the sale of a pool of its lease receivables to a wholly owned, unconsolidated, qualified special purpose subsidiary, DCC Funding LLC (DCCF). One of the conditions set forth in the securitization agreement between DCCF and the conduit was that the composition of the pool of securitized lease receivables represent only customers with an AA credit rating or higher. The pool of lease receivables included within the securitized program consisted primarily of one large customer with such a credit rating. During the third quarter of 2004, this customer, with approval from the conduit, elected to transfer its leasing rights to another entity. This other entity had a credit rating of less than the required rating to remain securitized in accordance with the securitization agreement, which led to the termination of the securitization agreement. During 2004, as a result of the termination, the balance of the securitized pool of lease receivables of $35,905 was recorded on the company' s Consolidated Financial Statements and the 364-day facility agreement balance of $28,973 that funded the securitization was repaid.

The company did not initiate any unilateral right to cause the termination of the securitization, nor did the company have the unilateral ability to cause DCCF to liquidate or change DCCF.

The following schedule represents the activity pertaining to the securitization for the years ended December 31, 2004 and 2003:

	2004	2003
Proceeds:		
Securitizations	$ −	$ 248
Payments to DCCF	(37,639)	(23,500)
Net securitization payments*	$ (37,639)	$ (23,252)
Cash received from DCCF*	$ 10,726	$ 29,392

* Included as part of the change in certain other assets and liabilities within the operating activities section of the Consolidated Statement of Cash Flows.

NOTE 3: INVESTMENT SECURITIES

The marketable debt and equity securities are stated at fair value. The fair value of securities and other investments is estimated on quoted market prices. The company' s investment securities, excluding the cash surrender value of insurance contracts of $54,154 and $52,248 as of December 31, 2005 and 2004, respectively, consisted entirely of certificates of deposit due within one year. The certificates of deposit of $52,885 and $31,654 at December 31, 2005 and 2004 are stated at cost basis, which equaled the fair value of the investments due to their short-term nature.

At December 31, 2003, the investment portfolio was classified as available-for-sale. Realized gains (losses) from the sale of securities were $0, $0 and $220 in 2005, 2004 and 2003, respectively. Proceeds from the sale of available-for-sale securities were $0, $0 and $31,505 in 2005, 2004 and 2003, respectively. Gains and losses are determined using the specific identification method.

NOTE 4: INVENTORIES

Major classes of inventories at December 31 are summarized as follows:

	2005	2004
Finished goods	$ 90,484	$ 92,806
Service parts	84,264	77,715
Work in process	126,247	123,156
Raw materials	40,619	28,616
	$ 341,614	$ 322,293

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

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

	2005	2004
Land and land improvements	$ 8,287	$ 7,295
Buildings	74,094	91,674
Machinery and equipment	281,097	301,458
Rotable spares	115,688	111,374
Leasehold improvements	13,910	11,904
Construction in progress	113,009	90,409
	$ 606,085	$ 614,114
Less accumulated depreciation	(329,119)	(346,024)
	$ 276,966	$ 268,090

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Costs associated with the enterprise resource planning system of $103,794 and $79,960 as of December 31, 2005 and 2004, respectively, were included in construction in progress. Amortization expense related to a capitalized portion of the system was $686 and $0 for the years ended December 31, 2005 and 2004, respectively. During 2005, 2004, and 2003, depreciation expense, computed on a straight-line basis over the estimated useful lives of the related assets, was $49,877, $53,439 and $49,653, respectively.

NOTE 6: FINANCE RECEIVABLES

The components of finance receivables for the net investment in sales-type leases are as follows:

	2005	2004
Total minimum lease receivable	$32,649	$36,131
Estimated unguaranteed residual values	2,629	3,000
	35,278	39,131
Less:		
Unearned interest income	(2,435)	(2,792)
Unearned residuals	(415)	(413)
	(2,850)	(3,205)
	$32,428	$35,926

Future minimum lease receivables due from customers under sales-type leases as of December 31, 2005 are as follows:

2006	$14,447
2007	8,462
2008	5,865
2009	3,230
2010	639
Thereafter	6
	$32,649

NOTE 7: DEBT

The notes payable balances as of December 31 were as follows:

	2005	2004
Notes payable − current:		
Revolving foreign currency loans[1]	$9,376	$119,405
Revolving U.S. dollar loans	25,096	170,105
	$34,472	$289,510

	2005	2004
Notes payable − long term:		
Revolving euro loans[2]	$154,722	$−
Revolving U.S. dollar loans	300,000	−
	$454,722	$−

---

1 INR 396,000 borrowings and other foreign currency loans translated at the applicable December 31, 2005 spot rate; 88,090 borrowing translated at the applicable December 31, 2004 spot rate.

2 130,578 borrowing translated at the applicable December 31, 2005 spot rate.

The company has a credit facility with JP Morgan Chase Bank, N.A. with borrowing limits of $200,000 and 150,000 euros. In 2005, the company amended its credit facility. The credit facility borrowing limit remains the same, however, the amendment allows the company to add additional borrowing capacity of up to $150,000 under the facility and increases the term of the credit facility to five years, expiring on April 27, 2010.

The amount of committed loans at December 31, 2005 that remained available was 19,422 ($23,013 translated). In addition to the committed lines of credit, $40,000, 37,000 Brazilian real ($15,842 translated), and 42,000 Indian rupees ($932 translated) in uncommitted lines of credit were available as of December 31, 2005.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The average rate on the bank credit lines was 3.45 percent, 2.29 percent and 2.36 percent for the years ended December 31, 2005, 2004 and 2003, respectively. Interest on financing charged to expense for the years ended December 31 was $12,874, $9,000 and $6,710 for 2005, 2004 and 2003, respectively.

The company' s financing agreements contain various restrictive covenants, including net debt to capitalization and interest coverage ratios. As of December 31, 2005, the company was in compliance with all restrictive covenants.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

NOTE 8: OTHER LONG-TERM LIABILITIES

Included in other long-term liabilities are bonds payable and a financing agreement. Bonds payable at December 31 consisted of the following:

	2005	2004
Industrial Development Revenue Bond due January 1, 2017	$5,800	$5,800
Industrial Development Revenue Bond due June 1, 2017	7,500	7,500
Long-term bonds payable	$13,300	$13,300

In 1997, industrial development revenue bonds were issued on behalf of the company. The proceeds from the bond issuances were used to construct new manufacturing facilities in the United States. The company guaranteed the payments of principal and interest on the bonds by obtaining letters of credit. Each industrial development revenue bond carries a variable interest rate, which is reset weekly by the remarketing agents. As of December 31, 2005, the company was in compliance with the covenants of its loan agreements and believes the covenants will not restrict its future operations.

A financing agreement was entered into in July 2002 with Fleet Business Credit, LLC in order to finance the purchase of an enterprise resource planning system. The financing agreement was for $24,862, payable in quarterly installments of $2,128, which includes interest at 5.75 percent and service fees through May 2007. The outstanding balance of the financing agreement was $7,023 and $11,381 as of December 31, 2005 and 2004, respectively. Interest paid related to the financing agreement was $541, $784 and $1,043 in 2005, 2004 and 2003, respectively.

NOTE 9: SHAREHOLDERS' EQUITY

On the basis of amounts declared and paid, the annualized quarterly dividends per share were $0.82, $0.74 and $0.68 in 2005, 2004 and 2003, respectively.

Fixed Stock Options Under the 1991 Equity and Performance Incentive Plan (1991 Plan) as amended and restated, common shares are available for grant of options at a price not less than the fair market value of the common shares on the date of grant and, accordingly, no compensation cost has been recognized. In general, options are exercisable in cumulative annual installments over five years, beginning one year from the date of grant. In February 2001, the 1991 Plan was amended to extend the term of the 1991 Plan for 10 years beginning April 2, 2001 and increase the numbers of shares available in the 1991 Plan by 3,000,000 in addition to other miscellaneous administrative matters. The number of common shares that may be issued or delivered pursuant to the 1991 Plan is 5,817,712, of which 1,734,847 shares were available for issuance at December 31, 2005. The 1991 Plan will expire on April 2, 2011.

The following is a summary with respect to options outstanding at December 31, 2005, 2004 and 2003, and activity during the years then ended:

	2005		2004		2003	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at the beginning of year	2,986,419	$37	2,821,625	$34	2,809,014	$32
Options granted	576,150	50	494,509	52	750,924	37
Options exercised	(332,412)	30	(303,795)	31	(662,453)	28
Options expired or forfeited	(117,925)	46	(25,920)	35	(75,860)	35
Outstanding at the end of year	3,112,232	$40	2,986,419	$37	2,821,625	$34
Options exercisable at end of year	1,949,067		1,497,260		1,255,820	

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The following table summarizes pertinent information regarding fixed stock options outstanding and options exercisable at December 31, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options Outstanding	Weighted-Average Remaining Contractual Life (in Years)	Weighted-Average Exercise Price	Number of Options Exercisable	Weighted-Average Exercise Price
$23- 33	471,975	4.46	$26.58	442,535	$26.44
34- 44	1,627,173	5.72	36.66	1,026,283	36.49
45- 55	1,013,084	7.49	52.25	480,249	51.32
	3,112,232	6.10	$40.20	1,949,067	$37.86

Restricted Share Grants The 1991 Plan provides for the issuance of restricted shares to certain employees. Restricted shares totaling 9,050 were issued during 2005 and 10,000 restricted shares were outstanding as of December 31, 2005. The shares are subject to forfeiture under certain circumstances. Unearned compensation representing the fair market value of the shares at the date of grant will be charged to income over the three-year vesting period. During 2005, 2004 and 2003, $199, $396 and $5,031, respectively was charged to expense relating to the 1991 Plan restricted shares.

Performance Share Grants The 1991 Plan provides for the issuance of common shares to certain employees based on certain management objectives, as determined by the Board of Directors each year. Each performance share earned entitles the holder to the then current value of one common share. All of the management objectives are calculated over a three-year period. No amount is payable unless certain threshold management objectives are met. During 2005, 2004 and 2003, 241,600, 258,000 and 258,570 performance shares were granted, respectively, to certain employees. In addition, the Board of Directors elected to issue a one-time award to certain executive officers totaling 24,800 shares in 2002 that will be paid out after seven years of employment, or earlier, if targeted stock performance levels are achieved, or in the event of death, disability or retirement. The accrual for performance share grants was reduced in 2005 based on the unfavorable financial performance of the company. This decrease reduced expense by $5,140 in 2005. The compensation cost for the performance-based share plan was $8,557 and $8,677 in 2004 and 2003, respectively.

Restricted Stock Units In 2004, the company began providing for the issuance of restricted stock units (RSUs) to certain employees in lieu of stock options under the 1991 Plan. RSUs vest three years after the grant date with no partial vesting. During the vesting period, employees are paid the cash equivalent of dividends on RSUs. Employees receive one share of common stock for each vested RSU. In 2005, the company granted 62,630 RSUs. Expense on RSU grants is recognized ratably over the vesting period. The compensation cost charged against income for the RSUs was $2,347 and $1,075 in 2005 and 2004, respectively, and the corresponding obligation is recorded in long-term liabilities at December 31, 2005.

Rights Agreement On January 28, 1999, the Board of Directors announced the adoption of a Rights Agreement that provided for Rights to be issued to shareholders of record on February 11, 1999. The description and terms of the Rights are set forth in the Rights Agreement, dated as of February 11, 1999, between the company and The Bank of New York, as Agent. Under the Rights Agreement, the Rights trade together with the common shares and are not exercisable. In the absence of further Board action, the Rights generally will become exercisable and allow the holder to acquire common shares at a discounted price if a person or group acquires 20 percent or more of the outstanding common shares. Rights held by persons who exceed the applicable threshold will be void. Under certain circumstances, the Rights will entitle the holder to buy shares in an acquiring entity at a discounted price. The Rights Agreement also includes an exchange option. In general, after the Rights become exercisable, the Board of Directors may, at its option, effect an exchange of part or all of the Rights (other than Rights that have become void) for common shares. Under this option, the company would issue one common share for each Right, subject to adjustment in certain circumstances. The Rights are redeemable at any time prior to the Rights becoming exercisable and will expire on February 11, 2009, unless redeemed or exchanged earlier by the company.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

NOTE 10: EARNINGS PER SHARE

(In thousands, except per share amounts)

The following data show the amounts used in computing earnings per share and the effect on the weighted-average number of shares of dilutive potential common stock.

	2005	2004	2003
Numerator:			
Income used in basic and diluted earnings per share:			
Income from continuing operations	$82,904	$181,809	$171,270
Income from discontinued operations	13,842	1,988	1,816
Net income	$96,746	$183,797	$173,086
Denominator:			
Weighted average number of common shares used in basic earnings per share	70,577	72,000	72,417
Effect of dilutive fixed stock options	389	534	507
Weighted-average number of common shares and dilutive potential common shares used in diluted earnings per share	70,966	72,534	72,924
Basic earnings per share			
Income from continuing operations	$1.17	$2.52	$2.37
Income from discontinued operations	$0.20	$0.03	$0.02
Net income	$1.37	$2.55	$2.39
Diluted earnings per share			
Income from continuing operations	$1.17	$2.50	$2.35
Income from discontinued operations	$0.19	$0.03	$0.02
Net income	$1.36	$2.53	$2.37

Fixed stock options on 977, 375 and 195 common shares in 2005, 2004 and 2003, respectively, were not included in computing diluted earnings per share, because their effects were antidilutive.

NOTE 11: BENEFIT PLANS

Qualified Pension Benefits The company has several pension plans covering substantially all United States employees. Plans covering salaried employees provide pension benefits based on the employee' s compensation during the 10 years before retirement. The company' s funding policy for salaried plans is to contribute annually if required at an actuarially determined rate. 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 these plans, union employees in one of the company' s U.S. manufacturing facilities participate in the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers-Communications Workers of America (IUE-CWA) multi-employer pension fund. Pension expense related to the multi-employer pension plan was $434, $489 and $424 for 2005, 2004 and 2003, respectively.

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

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

The postretirement benefit obligation was determined by application of the terms of medical and life insurance plans together with relevant actuarial assumptions and healthcare cost trend rates. The company uses a September 30 measurement date for its pension and other benefits.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The following table sets forth the change in benefit obligation, change in plan assets, funded status, Consolidated Balance Sheet presentation and relevant assumptions for the company' s defined benefit pension plans and other benefits at December 31:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Change in benefit obligation				
Benefit obligation at beginning of year	$370,641	$345,609	$21,991	$29,172
Service cost	12,374	11,906	3	39
Interest cost	22,266	21,201	1,255	1,434
Amendments	–	–	–	(3,756)
Actuarial loss (gain)	11,712	4,494	2,077	(1,252)
Benefits paid	(13,590)	(12,739)	(3,514)	(3,646)
Special termination benefits	6,730	–	1,382	–
Curtailments	(1,262)	–	–	–
Settlements	(49)	–	–	–
Other	(123)	(170)	–	–
Benefit obligation at end of year	$408,699	$370,641	$23,194	$21,991
Change in plan assets				
Fair value of plan assets at beginning of year	$318,524	$293,778	$–	$–
Actual return on plan assets	43,148	36,013	–	–
Employer contribution	18,060	1,472	3,514	3,646
Benefits paid	(13,589)	(12,739)	(3,514)	(3,646)
Fair value of plan assets at end of year	$366,143	$318,524	$–	$–
Funded status				
Funded status	$(42,556)	$(52,117)	$(23,194)	$(21,991)
Unrecognized net actuarial loss	64,101	69,993	9,120	7,571
Unrecognized prior service cost (benefit)	1,931	3,491	(5,620)	(6,233)
Unrecognized initial transition asset	–	(658)	–	–
Prepaid (accrued) pension cost	$23,476	$20,709	$(19,694)	$(20,653)
Amounts recognized in Balance Sheets				
Prepaid benefit cost	$56,731	$50,042	$–	$–
Accrued benefit cost	(39,428)	(43,089)	(19,694)	(20,653)
Intangible asset	–	2,260	–	–
Accumulated other comprehensive income	6,173	11,496	–	–
Net amount recognized	$23,476	$20,709	$(19,694)	$(20,653)

	Pension Benefits			Other Benefits		
	2005*	2004	2003	2005	2004	2003
Components of net periodic benefit cost						
Service cost	$12,374	$11,906	$10,255	$3	$39	$59
Interest cost	22,266	21,201	19,765	1,255	1,434	1,791
Expected return on plan assets	(28,956)	(29,085)	(28,154)	–	–	–
Amortization of prior service cost	1,119	1,213	1,224	(613)	(478)	(295)
Amortization of initial transition asset	(658)	(1,495)	(1,495)	–	–	–
Recognized net actuarial loss (gain)	2,331	924	(372)	528	473	497
Special termination benefits	6,060	–	–	–	–	–
Curtailment loss	1,094	–	156	–	–	6
Settlement (gain) loss	(165)	–	(72)	–	–	107
Net periodic pension benefit cost	$15,465	$4,664	$1,307	$1,173	$1,468	$2,165

* Includes one-time charges of $3,800 resulting from the VERP and $3,300 for separation costs of former executives

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Information for pension plans with an accumulated benefit obligation in excess of plan assets.

December 31	2005	2004
Projected benefit obligation	58,987	61,701
Accumulated benefit obligation	57,075	59,239
Fair value of plan assets	18,122	16,732

Minimum liabilities have been recorded in 2005 and 2004 for the plans whose total accumulated benefit obligation exceeded the fair value of the plan' s assets. The accumulated benefit obligation for all defined benefit pension plans was $371,920 and $336,771 at December 31, 2005 and 2004, respectively.

Additional Information

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
(Decrease) increase in minimum liability included in other comprehensive (loss) income − net of taxes	$(3,354)	$710	N/A	N/A
Assumptions				
Weighted-average assumptions used to determine benefit obligations at December 31				
Discount rate	5.750 %	6.125 %	5.750 %	6.125 %
Rate of compensation increase	3.000 %	3.000 %		
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31				
Discount rate	6.125 %	6.250 %	6.125 %	6.250 %
Expected long-term return on plan assets	8.500 %	8.500 %		
Rate of compensation increase	3.000 %	3.000 %		

The healthcare trend rates are reviewed with the actuaries based upon the results of their review of claims experience. The expected long-term rate of return on plan assets is determined using the plans' current asset allocation and their expected rates of return based on a geometric averaging over 20 years. The discount rate is determined by analyzing the average return of high-quality (i.e., AA-rated or better), fixed-income investments and the year-over-year comparison of certain widely used benchmark indices as of the measurement date. The rate of compensation increase assumptions reflects the company' s long-term actual experience and future and near-term outlook. Pension benefits are funded through deposits with trustees. The market-related value of plan assets is calculated under an adjusted market-value method. The value is determined by adjusting the fair value of assets to reflect the investment gains and losses (i.e., the difference between the actual investment return and the expected investment return on the market-related value of assets) during each of the last five years at the rate of 20 percent per year.

Assumed healthcare cost trend rates at

December 31	2005	2004
Healthcare cost trend rate assumed for next year	7.00 %	7.20 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00 %	5.00 %
Year that rate reaches ultimate trend rate	2012	2009

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost	$ 87	$ (78)
Effect on postretirement benefit obligation	1,507	(1,348)

Plan Assets The company' s pension weighted-average asset allocations at December 31, 2005 and 2004, and target allocation for 2006, by asset category are as follows:

Asset Category	Target Allocation	Percentage of Pension Plan Assets at December 31	
	2006	2005	2004
Equity securities	70 %	70 %	70 %
Debt securities	30 %	30 %	30 %
Total		100 %	100 %

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Cash Flows

Contributions − The company contributed $18,060, including contributions to the nonqualified plan, to its pension plans and $3,514 to its other postretirement benefit plan in 2005. Also, the company expects to contribute $14,089 to its pension plans and $2,921 to its other postretirement benefit plan in 2006.

Benefit Payments

	Pension Benefits	Other Benefits
2006	$15,750	$2,921
2007	17,283	2,597
2008	18,333	2,541
2009	19,560	2,126
2010	20,903	1,973
2011-2015	130,518	8,904

Retirement Savings Plan The company offers an employee 401(k) Savings Plan (Savings Plan) to encourage eligible employees to save on a regular basis by payroll deductions, and to provide them with an opportunity to become shareholders of the company. Effective July 1, 2003, a new enhanced benefit to the Savings Plan became effective. All new salaried employees hired on or after July 1, 2003 are provided with an employer basic matching contribution in the amount of 100 percent of the first three percent of eligible pay and 50 percent of the next three percent of eligible pay. This new enhanced benefit is in lieu of participation in the pension plan for salaried employees. For employees hired prior to July 1, 2003, the company matched 60 percent of participating employees' first 3 percent of contributions and 30 percent of participating employees' second 3 percent of contributions. Total company match was $9,214, $7,714 and $7,129 in 2005, 2004 and 2003, respectively.

Deferred Compensation Plans The company has deferred compensation plans that enable certain employees to defer receipt of a portion of their compensation and nonemployee directors to defer receipt of director fees at the participants' discretion.

NOTE 12: LEASES

The company's future minimum lease payments due under operating leases for real and personal property in effect at December 31, 2005 are as follows:

Expiring	Total	Real Estate	Vehicles and Equipment
2006	$54,413	$21,896	$ 32,517
2007	46,762	18,285	28,477
2008	36,186	15,732	20,454
2009	24,852	14,392	10,460
2010	16,153	12,023	4,130
Thereafter	13,506	13,254	252
	$191,872	$95,582	$ 96,290

Rental expense under all lease agreements amounted to approximately $59,210, $52,064 and $47,202 for 2005, 2004 and 2003, respectively.

NOTE 13: INCOME TAXES

The components of income from continuing operations before income taxes were as follows:

	2005	2004	2003
Domestic	$84,271	$192,336	$174,182
Foreign	53,980	73,113	77,276
	$138,251	$265,449	$251,458

Income tax expense (benefit) from continuing operations is comprised of the following components:

	2005	2004	2003
Current:			
U.S. Federal	$16,315	$27,277	$71,778
Foreign	24,774	18,360	12,102
State and local	3,913	8,679	8,091

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	$45,002	$54,316	$91,971
Deferred:			
U.S. Federal	$9,540	$17,710	$(14,434)
Foreign	2,275	9,467	6,114
State and local	(1,470)	2,147	(3,463)
	$10,345	$29,324	$(11,783)
Total income tax expense	$55,347	$83,640	$80,188

In addition to the income tax expenses listed above for 2005, 2004 and 2003, income tax (expense) benefit allocated directly to shareholders' equity for the same periods were ($222), $2,721, and $4,657, respectively.

A reconciliation of the U.S. statutory tax rate and the effective tax rate for continuing operations is as follows:

	2005	2004	2003
Statutory tax rate	35.0 %	35.0 %	35.0 %
State and local income taxes, net of federal tax benefit	1.2	1.7	1.2
Foreign income taxes	5.9	0.8	(3.5)
Accrual adjustments	2.9	(4.5)	1.3
Other	(5.0)	(1.5)	(2.1)
Effective tax rate	40.0 %	31.5 %	31.9 %

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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

	2005	2004
Deferred Tax Assets:		
Postretirement benefits	$ 7,528	$ 9,221
Accrued expenses	33,118	21,376
Warranty accrual	2,448	35
Deferred compensation	10,907	3,922
Capital loss	-	9,164
Bad debts	6,638	1,226
Inventory	8,161	1,014
Deferred revenue	63	11,320
Net operating loss carryforwards	49,709	23,915
State deferred taxes	2,509	4,143
Other	9,144	9,588
	130,225	94,924
Valuation allowance	(35,541)	(8,551)
Net deferred tax assets	$ 94,684	$ 86,373
Deferred Tax Liabilities:		
Pension	$ 9,975	$ 7,287
Property, plant and equipment	17,387	18,992
Goodwill	36,445	29,163
Finance receivables	6,535	6,727
Software capitalized	2,648	2,354
Partnership income	6,953	2,210
Other	6,561	(882)
Net deferred tax liabilities	86,504	65,851
Net deferred tax asset	$ 8,180	$ 20,522

At December 31, 2005, the company' s domestic and international subsidiaries had deferred tax assets relating to net operating loss (NOL) carryforwards of $49,709. Of these NOL carryforwards, $19,511 expires at various times between 2006 and 2024. The remaining NOL carryforwards of approximately $30,198 do not expire. The company has a valuation allowance to reflect the estimated amount of deferred tax assets that, more likely than not, will not be realized. The valuation allowance relates primarily to certain international NOLs.

The net change in the total valuation allowance for the years ended December 31, 2005 and 2004 was an increase of $26,990 and $4,255 respectively. The increase in 2005 included a $3,162 increase to the beginning of the year valuation allowance established for EMEA NOL carryforwards. The increase was necessary due to circumstances that caused a change in judgment about the company' s ability to utilize the NOL carryforwards in future years.

A determination of the unrecognized deferred tax liability on undistributed earnings of non-U.S. subsidiaries and investments in foreign unconsolidated affiliates is not practicable. However, no liability for U.S. income taxes on such undistributed earnings has been provided because it is the Company' s policy to reinvest these earnings indefinitely in operations outside the United States.

NOTE 14: COMMITMENTS AND CONTINGENCIES

At December 31, 2005, 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 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 recently been served with various lawsuits, filed against it and certain named 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. The company and the individual defendants deny the allegations made against them, regard them as without merit, and intend to defend themselves vigorously. Management is unable to determine the financial statement impact, if any, of these legal proceedings as of December 31, 2005.

NOTE 15: GUARANTEES AND PRODUCT WARRANTIES

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The company has applied the provisions of FASB Interpretation No. 45, *Guarantor' s Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others*, to its agreements that contain guarantees or indemnification clauses. These disclosure requirements expand those required by SFAS No. 5, *Accounting for Contingencies*, by requiring a guarantor to disclose certain types of guarantees, even if the likelihood of requiring the guarantor' s performance is remote. The following is a description of arrangements in effect as of December 31, 2005 in which the company is the guarantor.

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. Any default, as defined in the agreements, would obligate the company for the full amount of the outstanding bonds through maturity. At December 31, 2005, the carrying value of the liability was $13,300. The company provides its global operations guarantees and standby letters of credit through various financial institutions to suppliers, regulatory agencies and insurance providers. If the company is not able to make payment, the suppliers, regulatory agencies and insurance providers may draw on the pertinent bank. At December 31, 2005, the maximum future payment obligations relative to these various guarantees totaled $47,344, of which $16,786 represented standby letters of credit to insurance providers, and no associated liability was recorded.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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:

	2005	2004
Balance at January 1	$ 14,410	$ 12,096
Current period accruals	22,751	13,227
Current period settlements	(15,762)	(10,913)
Balance at December 31	$ 21,399	$ 14,410

NOTE 16: SEGMENT INFORMATION

The company' s segments are comprised of its three main sales channels: Diebold North America (DNA), Diebold International (DI) and Election Systems (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 Consolidated Financial Statements is disclosed. Revenue summaries by geographic area 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 financial and retail systems and also 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 DESI 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 through intercompany sales that 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, equity in the net income of investees accounted for by the equity method, income tax expense or benefit, and other non-current assets.

Segment Information by Channel

	DNA	DI	ES & Other	Total
2005				
Customer revenues	$ 1,422,170	$ 1,010,503	$ 154,376	$ 2,587,049
Operating profit (loss)	130,743	37,516	(6,990)	161,269
Capital and rotable expenditures	42,616	18,926	1,063	62,605
Depreciation	32,102	16,655	1,120	49,877
Property, plant and equipment	398,372	202,460	5,253	606,085
2004				
Customer revenues	$ 1,399,823	$ 867,253	$ 90,032	$ 2,357,108
Operating profit (loss)	220,318	60,875	(7,713)	273,480
Capital and rotable expenditures	42,223	18,663	352	61,238
Depreciation	30,865	21,666	908	53,439
Property, plant and equipment	423,420	186,650	4,044	614,114
2003				
Customer revenues	$ 1,233,657	$ 752,592	$ 100,182	$ 2,086,431
Operating profit	175,921	69,752	6,119	251,792
Capital and rotable expenditures	43,763	28,096	961	72,820
Depreciation	30,314	18,570	769	49,653
Property, plant and equipment	388,436	155,730	3,692	547,858

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	2005	2004	2003
Revenue Summary by Geographic Area			
The Americas	$ 1,945,326	$ 1,791,685	$ 1,588,507
Asia-Pacific	267,498	232,862	178,118
Europe, Middle East and Africa	374,225	332,561	319,806
Total revenue	$ 2,587,049	$ 2,357,108	$ 2,086,431
Total Revenue			
Domestic vs. International			
Domestic	$ 1,499,445	$ 1,421,339	$ 1,307,823
Percentage of total revenue	58.0 %	60.3 %	62.7 %
International	1,087,604	935,769	778,608
Percentage of total revenue	42.0 %	39.7 %	37.3 %
Total revenue	$ 2,587,049	$ 2,357,108	$ 2,086,431
Revenue Summary by Product and Service Solutions			
Financial self-service:			
Products	$ 879,195	$ 814,236	$ 681,482
Services	891,865	882,969	819,532
Total financial self-service	1,771,060	1,697,205	1,501,014
Security:			
Products	276,509	276,739	240,206
Services	385,104	293,132	245,029
Total security	661,613	569,871	485,235
Total financial self-service and security	2,432,673	2,267,076	1,986,249
Election systems/lottery	154,376	90,032	100,182
Total revenue	$ 2,587,049	$ 2,357,108	$ 2,086,431

The company had no customers that accounted for more than 10 percent of total net sales in 2005, 2004 and 2003.

NOTE 17: ACQUISITIONS

The following mergers and acquisitions were accounted for as purchase business combinations and, accordingly, the purchase price has been allocated to identifiable tangible and intangible assets acquired and liabilities assumed, based upon their respective fair values, with the excess allocated to goodwill and intangible assets. Results of operations of the companies acquired from the date of acquisition are included in the condensed consolidated results of operations of the company.

The company is party to a joint venture partnership with Shanghai Xinsheng Aviation Industry Investment Co., Ltd. In September 2005, an additional 7 percent of ownership was purchased for approximately $9,500. With this purchase, the company increased its ownership interest from 78 to 85 percent in the joint venture.

In May 2005, the company acquired TASC Security (Holdings) Limited and its subsidiaries (TASC). TASC is a global leader in electronic security solutions headquartered in London, England with regional offices in Amsterdam, Netherlands; Tokyo, Japan; San Francisco, USA; Dublin, Ireland; Leeds, England; and Melbourne and Sydney, Australia; along with a network of offices in Europe, the Middle East, Africa and Asia Pacific. TASC was purchased for approximately $26,300, including the payoff of certain debt arrangements, and has been integrated within the company' s security group. Goodwill and intangible assets resulting from the acquisition were approximately $17,000 and $8,700, respectively.

In August 2004, the company acquired Antar-Com, Inc., an industry-leading electronic security systems integrator, for a total purchase price of $26,913. Upon acquisition, Antar-Com, Inc. was named Diebold Enterprise Security Systems, Inc., a wholly-owned subsidiary, and was integrated into the company' s domestic security service operation. Goodwill and other intangible assets resulting from the acquisition were approximately $13,500 and $8,700, respectively.

In June 2004, the company acquired TFE Technology Holdings, LLC (TFE), a third-party maintenance provider of network and hardware service solutions to federal and state government agencies and commercial firms, for a total purchase price of $34,450, including the payoff of certain debt arrangements. TFE was subsequently renamed Diebold Information and Security Systems, LLC and was integrated into the company' s domestic security service operation. Goodwill and other intangibles resulting from the acquisition were approximately $7,500 and $23,000, respectively.

In January 2004, a subsidiary of the company merged with Newell Communications, Inc. (NCI), based in Richmond, Virginia. NCI provides a full spectrum of security and communications solutions. The merger was effected in a combination of 80.5 percent stock and 19.5 percent cash

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

for a total purchase price of $5,500. As a result of the merger, NCI became a wholly-owned subsidiary of the company. Goodwill resulting from the acquisition amounted to approximately $5,100.

NOTE 18: DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, established accounting and reporting standards requiring that derivative instruments (including certain derivative instruments embedded in other contracts) be recognized on the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative instrument' s fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

instrument' s gains and losses to partially or wholly offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment.

Since a substantial portion of the company' s operations and revenue arise outside of the United States, financial results can be significantly affected by changes in foreign exchange rate movements. The company' s financial risk management strategy uses forward contracts to hedge certain foreign currency exposures. Such contracts are designated at inception to the related foreign currency exposures being hedged. The company' s 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 any speculative positions with regard to derivative instruments. The company' s forward contracts generally mature within six months.

The company manages its debt portfolio by using interest rate swaps to achieve an overall desired position of fixed and variable rates. In 2005, the company entered into two interest rate swap contracts that remained outstanding at December 31, 2005. The interest rate swaps relate to debt held by the company and convert $50,000 notional amount from variable rates to fixed rates. The variable rate for these contracts at December 31, 2005, which is based on three-month LIBOR rate, was 4.54 percent versus fixed rates of 4.59 percent and 4.72 percent. The contracts mature in five and ten years.

Based on current interest rates for similiar transactions, the fair value of all interest rate swap agreements is not material to the financial statements as of December 31, 2005. Credit and market risk exposures are limited to the net interest differentials. The net payments or receipts from interest rate swaps are recorded as part of interest expense and are not material to the financial statements for the year ended December 31, 2005.

The company records all derivatives on the balance sheet at fair value. For derivative instruments not designated as hedging instruments, changes in their fair values are recognized in earnings in the current period. The fair value of the company' s forward contracts was not material to the financial statements as of December 31, 2005 and 2004, respectively.

NOTE 19: RESTRUCTURING CHARGES

During 2005, the company initiated a restructuring plan for its manufacturing and service operations to remove excess capacity in Western Europe and the United States. Also in 2005, the company announced the closing of its Danville, Virginia manufacturing operations and had other restructuring activity throughout its global operations. Total pre-tax costs incurred in the plans in 2005 were $39,028 ($26,300 after tax), resulting in an accrual of $3,397 as of December 31, 2005. The restructuring charges for 2005 were incurred as follows: $13,371 against product cost of sales; $4,505 against service cost of sales and $21,152 against selling, general and administrative and other costs. The restructuring charges for the year ended December 31, 2005 were $22,890 in DNA and $16,138 in DI.

The charges were comprised primarily of severance and other employee costs associated with staff reductions. Staff reductions resulted in approximately 300 involuntary employee terminations.

NOTE 20: DISCONTINUED OPERATIONS

The assets related to the company' s campus card systems business were considered held-for-sale as of June 30, 2005; therefore, the company has disclosed these operations as discontinued in the consolidated statements of income for all periods presented herein in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. In July 2005, the company sold the card system business for $38,050, which consisted of $29,350 in cash and a promissory note of $8,700. The resulting gain on the sale was $20,290 million ($12,933 net of tax) in 2005. Furthermore, separate disclosure of the specific assets held-for-sale, both current and non-current, is not presented because the amounts are not material to the consolidated balance sheets.

NOTE 21: SUBSEQUENT EVENTS

On February 28, 2006, the company signed an agreement to purchase a membership interest in Genpass Service Solutions, LLC (GSS) for $9,724. GSS is an independent, third-party ATM maintenance and service provider.

On March 2, 2006, the company issued senior notes in an aggregate principal amount of $300,000, with a weighted average fixed interest rate of 5.50 percent. The maturity dates of the senior notes are staggered, with $75,000, $175,000, and $50,000 becoming due in 2013, 2016, and 2018, respectively. The covenants governing the senior notes are similar to those established for the credit facility discussed in Note 8. Additionally, the company entered into a derivative transaction to hedge $200,000 of the aggregate principal, which is treated as a cash flow hedge. This reduced the effective weighted average interest rate by 14 basis points or from 5.50 to 5.36 percent. The company used $160,000 of the net proceeds from the offering to reduce the outstanding balance under its revolving credit facility, which has a higher interest rate and related fees.

NOTE 22: QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

See "Comparison of Selected Quarterly Financial Data (Unaudited)" on page 49 of this Annual Report.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders Diebold, Incorporated:

We have audited the accompanying consolidated balance sheets of Diebold, Incorporated and subsidiaries (Company) as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Diebold, Incorporated and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Diebold, Incorporated's internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 10, 2006 expressed an unqualified opinion on management's assessment of, and an adverse opinion on the effective operation of, internal control over financial reporting as of December 31, 2005.

KPMG LLP

Cleveland, Ohio
March 10, 2006

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders Diebold, Incorporated:

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Diebold, Incorporated:

We have audited management' s assessment, included in the accompanying Management' s Report on Internal Control Over Financial Reporting (Item 9A(b) of Form 10-K), that Diebold, Incorporated (the Company) did not maintain effective internal control over financial reporting as of December 31, 2005, because of the effect of a material weakness identified in management' s assessment, based on criteria established in Internal Control−Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company' s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management' s assessment and an opinion on the effectiveness of the Company' s internal control over financial reporting based on our audit.

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

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

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

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weakness has been identified and included in management' s assessment as of December 31, 2005:

A material weakness in internal control over financial reporting as of December 31, 2005 existed because the Company did not have personnel with sufficient technical knowledge to analyze complex revenue contracts to ensure that such transactions were accounted for in accordance with generally accepted accounting principles at its voting subsidiary, Diebold Election Systems, Inc. (DESI). Specifically, the review of these contracts did not provide for effective identification of, and consideration of, terms of certain arrangements within the contracts that impact the accounting required for the related revenue for such arrangements. This material weakness resulted in a material overstatement in the Company' s revenue and a material understatement in deferred revenue balances in the Company' s preliminary interim and annual financial statements for the year ended December 31, 2005. This weakness if not remediated could result in a material adjustment to revenue, cost of sales, inventory and deferred revenue.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Diebold, Incorporated and subsidiaries (Company) as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2005. The aforementioned material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the December 31, 2005 consolidated financial statements, and this report does not affect our report dated March 10, 2006, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, management' s assessment that the Company did not maintain effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in Internal Control−Integrated Framework issued by COSO. Also, in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control−Integrated Framework issued by COSO.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

KPMG LLP

Cleveland, Ohio
March 10, 2006

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

MANAGEMENT' S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Management, under the supervision and with the participation of the Company' s chief executive officer and chief financial officer, conducted an evaluation of the effectiveness of the Company' s internal control over financial reporting as of December 31, 2005, based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

This evaluation identified the following material weakness in the Company' s internal control over financial reporting as of December 31, 2005:

> The Company did not have personnel with sufficient technical knowledge to analyze complex revenue contracts to ensure that such transactions were accounted for in accordance with generally accepted accounting principles at its voting subsidiary, Diebold Election Systems, Inc. (DESI). Specifically, the review of these contracts did not provide for effective identification of, and consideration of, terms of certain arrangements within the contracts that impact the accounting required for the related revenue for such arrangements. This material weakness resulted in material overstatements of revenue and material understatements of deferred revenue balances in the Company' s preliminary interim and annual financial statements for the year ended December 31, 2005. The revenue and deferred revenue balances were corrected by management prior to the issuance of the Company' s consolidated financial statements.

As a result of these deficiencies, the Company concluded that its internal control over financial reporting was not effective as of December 31, 2005.

KPMG LLP, the company' s independent registered public accounting firm, has issued an auditors' report on management' s assessment of the effectiveness of the Company' s internal control over financial reporting as of December 31, 2005. This report is included at page 46 of this Annual Report on Form 10-K.

OTHER INFORMATION

The company had included as Exhibit 31 to its Annual Report on Form 10-K for fiscal year 2005 filed with the Securities and Exchange Commission certificates of the Chief Executive Officer and Chief Financial Officer of the company certifying the quality of the company' s public disclosure, and the company has submitted to the New York Stock Exchange a certificate of the Chief Executive Officer of the company certifying that he is not aware of any violation by the company of New York Stock Exchange corporate governance standards.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

MANAGEMENT’ S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Diebold, Incorporated is responsible for the contents of the Consolidated Financial Statements, which are prepared in conformity with accounting principles generally accepted in the United States of America. The Consolidated Financial Statements necessarily include amounts based on judgments and estimates. Financial information elsewhere in the Annual Report is consistent with that in the Consolidated Financial Statements.

The company maintains a comprehensive accounting system which includes controls designed to provide reasonable assurance as to the integrity and reliability of the financial records and the protection of assets. An internal audit staff is employed to regularly test and evaluate both internal accounting controls and operating procedures, including compliance with the company’ s statement of policy regarding ethical and lawful conduct. The Audit Committee of the Board of Directors, composed of directors who are not members of management, meets regularly with management, the independent auditors and the internal auditors to ensure that their respective responsibilities are properly discharged. KPMG LLP and the Director of Internal Audit have full and free independent access to the Audit Committee. The role of KPMG LLP, an independent registered public accounting firm, is to provide an objective examination of the Consolidated Financial Statements and the underlying transactions in accordance with the standards of the Public Company Accounting Oversight Board. The report of KPMG LLP accompanies the Consolidated Financial Statements.

FORWARD-LOOKING STATEMENT DISCLOSURE

In this Annual Report, the use of the words “believes,” “anticipates,” “expects” 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, including statements concerning future operating performance, the company’ s share of new and existing markets, and the company’ s short- and long-term revenue and earnings growth rates. Although the company believes that its outlook is based upon reasonable assumptions regarding the economy, its knowledge of its business, and on key performance indicators, which affect the company, there can be no assurance that the company’ s goals will be realized. The company is not obligated to report changes to its outlook. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The uncertainties faced by the company could cause actual results to differ materially from those anticipated in forward-looking statements. These include, but are not limited to:

- competitive pressures, including pricing pressures and technological developments;
- changes in the company’ s relationships with customers, suppliers, distributors and/or partners in its business ventures;
- changes in political, economic or other factors such as currency exchange rates, inflation rates, recessionary or expansive trends, taxes and regulations and laws affecting the worldwide business in each of the company’ s operations;
- acceptance of the company’ s product and technology introductions in the marketplace;
- unanticipated litigation, claims or assessments;
- the company’ s ability to reduce costs and expenses and improve internal operating efficiencies;
- the company’ s ability to successfully implement measures to improve pricing;
- 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 company’ s ability to achieve benefits from its cost-reduction initiatives and other strategic changes.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

COMPARISON OF SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)
(In thousands, except per share amounts)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2005	2004	2005	2004	2005	2004	2005	2004
Net sales	$ 535,150	$ 493,629	$ 618,950	$ 545,729	$ 622,333	$ 606,194	$ 810,616	$ 711,556
Gross profit	138,868	138,521	157,340	162,677	143,667	168,991	185,607	198,707
Income from continuing operations	27,852	29,225	31,150	42,937	13,499	47,423	10,403	62,224
Income from discontinued operations	89	(103)	820	690	12,933	855	–	546
Net income	$ 27,941	$ 29,122	$ 31,970	$ 43,627	$ 26,432	$ 48,278	$ 10,403	$ 62,770
Basic earnings per share *								
Income from continuing operations	$ 0.39	$ 0.40	$ 0.44	$ 0.59	$ 0.19	$ 0.66	$ 0.15	$ 0.87
Income from discontinued operations	$ 0.00	$ 0.00	$ 0.01	$ 0.01	$ 0.18	$ 0.01	$ 0.00	$ 0.01
Net income	$ 0.39	$ 0.40	$ 0.45	$ 0.60	$ 0.37	$ 0.67	$ 0.15	$ 0.88
Diluted earnings per share *								
Income from continuing operations	$ 0.38	$ 0.40	$ 0.44	$ 0.59	$ 0.19	$ 0.66	$ 0.15	$ 0.86
Income from discontinued operations	$ 0.00	$ 0.00	$ 0.01	$ 0.01	$ 0.18	$ 0.01	$ 0.00	$ 0.01
Net income	$ 0.38	$ 0.40	$ 0.45	$ 0.60	$ 0.37	$ 0.67	$ 0.15	$ 0.87

* The sums of the quarterly figures may not equal annual figures due to rounding or differences in the weighted-average number of shares outstanding during the respective periods. See Note 22 to Consolidated Financial Statements and 6-Year Summary 2005-2000.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

2005-2000 SELECTED FINANCIAL DATA
Diebold, Incorporated and Subsidiaries
(In thousands, except per share amounts and ratios)

	2005	2004	2003	2002	2001	2000
Net sales	$ 2,587,049	$ 2,357,108	$ 2,086,431	$ 1,918,837	$ 1,739,703	$ 1,726,365
Cost of sales	1,961,567	1,688,212	1,469,628	1,350,338	1,230,178	1,161,160
Gross profit	625,482	668,896	616,803	568,499	509,525	565,205
Selling and administrative expense	403,804	336,657	306,333	278,351	273,542	276,992
Research, development and engineering expense	60,409	58,759	58,678	54,910	55,796	58,403
Operating profit	161,269	273,480	251,792	235,238	137,919	229,810
Other income (expense), net	(16,189)	(313)	7,213	(15,110)	(34,173)	(21,558)
Minority interest	(6,829)	(7,718)	(7,547)	(5,654)	(4,897)	(3,040)
Income from continuing operations before taxes and cumulative effect of change in accounting principles	138,251	265,449	251,458	214,474	98,849	205,212
Taxes on income	55,347	83,640	80,188	84,563	32,514	68,323
Income from continuing operations before discontinued operations, cumulative effect of change in accounting principle and realignment and other charges, net of tax	82,904	181,809	171,270	129,911	66,335	136,889
Income from discontinued operations, net of tax	13,842	1,988	1,816	1,446	1,113	146
Net income (GAAP) before effect of change in accounting principle and realignment and other charges, net of tax	96,746	183,797	173,086	131,357	67,448	137,035
Cumulative effect of change in accounting principle − net of tax (Note B)	–	–	–	33,147	–	–
*Net income (Non GAAP) before realignment and other charges, net of tax	96,746	183,797	173,086	98,210	67,448	137,035

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Realignment and other charges, net of tax (Note A)	36,193	–	–	–	73,628	–
Net Income	132,939	183,797	173,086	98,210	141,076	137,035
Diluted earnings per share:						
Income from continuing operations	1.17	2.50	2.35	1.80	0.92	1.92
Income from discontinued operations	0.19	0.03	0.02	0.02	0.02	–
Net income (GAAP)	1.36	2.53	2.37	1.82	0.94	1.92
Realignment and other charges, net of tax (Note A)	0.51	–	–	–	1.03	–
Cumulative effect of change in accounting principle, net of tax (Note B)	–	–	–	0.46	–	–
COLI settlement charge, net of tax (Note C)	–	–	–	0.37	–	–
*Net income (Non GAAP) before realignment and other charges, cumulative effect of change in accounting principles, net of tax	1.87	2.53	2.37	2.65	1.97	1.92

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	2005	2004	2003	2002	2001	2000
Dividend and Common Share Data						
Basic weighted-average shares outstanding(Note D)	$ 70,577	$ 72,000	$ 72,417	$ 71,984	$ 71,524	$ 71,296
Diluted weighted-average shares outstanding(Note D)	70,966	72,534	72,924	72,297	71,783	71,479
Common dividends paid	$ 57,770	$ 53,240	$ 49,242	$ 47,528	$ 45,774	$ 44,271
Common dividends paid per share(Note D)	0.82	0.74	0.68	0.66	0.64	0.62
Year-End Financial Position						
Current assets	$ 1,427,880	$ 1,234,632	$ 1,105,159	$ 924,888	$ 921,596	$ 804,363
Current liabilities	580,031	740,190	619,218	571,868	635,961	576,120
Net working capital	847,849	494,442	485,941	353,020	285,635	228,243
Property, plant and equipment, net	276,966	268,090	253,155	219,633	190,198	174,946
Total assets	2,353,193	2,135,552	1,900,502	1,625,081	1,621,083	1,585,427
Shareholders' equity	1,152,849	1,248,908	1,136,831	931,106	894,337	926,738
Shareholders' equity per share(Note E)	16.78	17.44	15.65	12.91	12.53	12.95
Ratios						
Pretax profit as a percentage of net sales (%)	5.3	11.3	12.1	11.1	5.7	11.9
Current ratio	2.4 to 1	1.7 to 1	1.8 to 1	1.6 to 1	1.5 to 1	1.4 to 1
Other Data						
Capital and rotable expenditures	$ 62,605	$ 61,238	$ 72,820	$ 50,338	$ 65,484	$ 42,694
Depreciation	49,877	53,439	49,653	42,124	45,453	35,901

* The company believes excluding these items provides meaningful insight into the ongoing performance of its operations and facilitates comparisons of the company's operating results.

Note A − In 2005, the company recorded realignment charges of $0.37 per diluted share, a gain of $0.18 per diluted share from the sale of a discontinued business, and $0.32 per diluted share in other charges related to manufacturing startup and related issues and accounts receivable reserves for our elections system business and reserves against deferred tax assets. In 2001, the company recorded realignment and other charges of $1.03 per diluted share.

Note B − In 2002, amounts include a one-time charge of $0.46 per diluted share resulting from the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets*.

Note C − In 2002, the company settled a dispute with the IRS on a claim concerning the deductibility of corporate-owned life insurance from 1990 to 1998. This resulted in an after-tax charge of $0.37 per diluted share.

Note D − After adjustment for stock splits.

Note E − Based on shares outstanding at year-end adjusted for stock splits.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

DIRECTORS

Louis V. Bockius III[2,3]
Retired Chairman,
Bocko Incorporated
North Canton, Ohio
[Plastic Injection Molding]
Director since 1978

Christopher M. Connor[1]
Chairman, President and
Chief Executive Officer,
The Sherwin-Williams
Company
Cleveland, Ohio
[Manufacturer of
Paint and Coatings]
Director since 2002

Phillip R. Cox[1,4]
President and
Chief Executive Officer,
Cox Financial Corporation
[Financial Planning and Wealth
Management Services]
Cincinnati, Ohio
Director since 2005

Richard L. Crandall[2,3,4,5]
Managing Partner,
Aspen Partners, LLC
Aspen, Colorado
[Private Equity]
Director since 1996

Gale S. Fitzgerald[1,3,5]
Director,
TranSpend, Inc.
Miami, Florida
[Total Spend Optimization]
Director since 1999

Phillip B. Lassiter[1,3]
Non-executive Chairman
of the Board,
Ambac Financial Group, Inc.
New York, New York
[Financial Guarantee Insurance
Holding Company]
Director since 1995

John N. Lauer[1,3]
Non-executive Chairman of
the Board,
Diebold, Incorporated
Canton, Ohio
Retired Chairman of
the Board,
Oglebay Norton Co.
Cleveland, Ohio
[Industrial Minerals]
Director since 1992

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

William F. Massy[2,4,5]
President,
The Jackson Hole
Higher Education Group, Inc.
Jackson Hole, Wyoming
Professor of Education and
Business Administration,
Emeritus, Stanford University,
Stanford, California [Education]
Director since 1984

Eric J. Roorda[2,4]
Former Chairman,
Procomp Amazonia
Indústria Eletronica, S.A.
São Paulo, Brazil
[Banking and Electoral
Automation; subsidiary
of Diebold]
Director since 2001

Thomas W. Swidarski
President and
Chief Executive Officer,
Diebold, Incorporated
Canton, Ohio
Director since 2005

Henry D. G. Wallace[2,4]
Former Group Vice President
and Chief Financial Officer,
Ford Motor Company
Detroit, Michigan
[Automotive Industry]
Director since 2003

Alan J. Weber[2,4,5]
Retired Chairman
and Chief Executive Officer,
U.S. Trust Corporation
New York, New York
[Financial Services Business]
Director since 2005

OFFICERS

Thomas W. Swidarski
President and
Chief Executive Officer

Kevin J. Krakora
Vice President and
Chief Financial Officer

David Bucci
Senior Vice President,
Customer Solutions Group

James L. M. Chen
Vice President and
Managing Director,
Asia Pacific

John M. Crowther
Vice President and
Chief Information Officer

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Warren W. Dettinger
Vice President,
General Counsel and
Secretary

Michael J. Hillock
President,
International

Michael R. Moore
Vice President and
Corporate Controller

Dennis M. Moriarty
Vice President,
Global Security Division

William E. Rosenberg
Vice President,
Corporate Development

Sheila M. Rutt
Vice President,
Chief Human Resources
Officer

Robert J. Warren
Vice President and Treasurer

---

1 Member of the Compensation Committee
2 Member of the Audit Committee
3 Member of the Board Governance Committee
4 Member of the Investment Committee
5 Member of IT Committee

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

LIST OF SIGNIFICANT SUBSIDIARIES EXHIBIT 21.1

The following are the subsidiaries of the Registrant included in the Registrant' s consolidated financial statements at December 31, 2005. Other subsidiaries are not listed because such subsidiaries are inactive. Subsidiaries are listed alphabetically under either the domestic or international categories.

Domestic	Jurisdiction under which organized	Percent of voting securities owned by Registrant
ATM Finance, Inc.	Ohio	100%
Central Security Systems, Inc.	Hawaii	100%
Data Information Management Systems, Inc.	California	100%
DBD Investment Management Company	Delaware	100%
Diebold Australia Holding Company, Inc.	Delaware	100%
Diebold China Security Holding Company, Inc.	Delaware	100%
Diebold Election Systems, Inc.	Delaware	100% (12)
Diebold Election Systems Holding Company, Inc.	Delaware	100%
Diebold EMEA Management, Inc.	Ohio	100%
Diebold Enterprise Security Systems, Inc.	New York	100%
Diebold Finance Company, Inc.	Delaware	100% (1)
Diebold Foreign Sales Corporation	St. Thomas, U.S. Virgin Islands	100% (1)
Diebold Global Finance Corporation	Delaware	100%
Diebold Holding Company, Inc.	Delaware	100%
Diebold Information and Security Systems, LLC	Delaware	100%
Diebold Investment Company	Delaware	100%
Diebold Latin America Holding Company, Inc.	Delaware	100%
Diebold Mexico Holding Company, Inc.	Delaware	100%
Diebold Midwest Manufacturing, Inc.	Delaware	100%
Diebold of Nevada, Inc.	Nevada	100%
Diebold Safe and Lock Corporation	Ohio	100%
Diebold Self-Service Systems	New York	100% (2)
Diebold Southeast Manufacturing, Inc.	Delaware	100% (3)
Diebold SST Holding Company, Inc.	Delaware	100%
Diebold Texas, Incorporated	Texas	100%
Diebold Transaction Services, Inc.	Delaware	100%
Global Systems Caribbean, Inc.	U.S. Virgin Islands	100% (35)
Griffin Technology, Incorporated	New York	100%
Guardian Burglar Proof Equipment Company	Ohio	100%
Herring-Hall-Marvin Safe Company	Ohio	100%
Herring-Hall-Marvin Safe Corp.	New York	100%
Impexa LLC	Texas	100% (4)
InterBold Technologies, Inc.	Delaware	100% (5)
Mayfair Software Distribution, Inc.	Delaware	100%
Newell Communications, Inc.	Virginia	100%
Nexus Software, Incorporated	Delaware	100%
Pioneer Systems, Inc.	Pennsylvania	100%

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

LIST OF SIGNIFICANT SUBSIDIARIES (CONTINUED)

Domestic	Jurisdiction under which organized	Percent of voting securities owned by Registrant
R. D. Products, Inc.	New York	100% (6)
Spectrum Print & Mail Services, Ltd.	Delaware	100% (35)
TASC Security Inc.	California	100% (40)
VDM Holding Company, Inc.	Delaware	100%
Verdi & Associates, Inc.	New York	100%
York Safe and Lock Company, Inc.	New York	100%
York Safe and Lock Company	Pennsylvania	100%

International	Jurisdiction under which organized	Percent of voting securities owned by Registrant
Cable Print N.V.	Belgium	100%
Cardinal Brothers Consulting Pty. Ltd.	Australia	100% (11)
Cardinal Brothers Manufacturing & Operations, Pty. Ltd.	Australia	100% (34)
Caribbean Self Service and Security Ltd.	Barbados	50% (15)
Central de Alarmas Adler, S.A. de C.V.	Mexico	100% (30)
Comercializadora Diebold Chile Limitada	Chile	100% (31)
DCHC, S.A.	Panama	100% (17)
Diebold ATM Cihazlari Sanayi Ve Ticaret A.S.	Turkey	100% (22)
Diebold Argentina, S.A.	Argentina	100% (17)
Diebold Australia Pty. Ltd.	Australia	100% (7)
Diebold Belgium B.V.B.A	Belgium	100% (26)
Diebold Brasil LTDA	Brazil	100% (17)
Diebold Cassis Manufacturing S.A.	France	100%
Diebold Colombia S.A.	Colombia	55% (20)
The Diebold Company of Canada, Ltd.	Canada	100%
Diebold − Corp Systems Sdn. Bhd.	Malaysia	100%
Diebold Czech Republic s.r.o	Czech Republic	100% (9)
Diebold Ecuador SA	Ecuador	100% (28)
Diebold Election Systems ULC	Canada	100%
Diebold EMEA Processing Centre Limited	United Kingdom	100%
Diebold Enterprise Security Systems, Benelux B.V.	Netherlands	100% (40)
Diebold Enterprise Security Systems Holdings UK Limited	United Kingdom	100% (38)
Diebold Enterprise Security Systems, Ireland Ltd.	Ireland	100% (40)
Diebold Enterprise Security Systems UK Limited	United Kingdom	100% (39)
Diebold Enterprise Security Systems NSW Pty Ltd	Australia	100% (39)
Diebold Enterprise Security Systems (VIC) Pty Ltd	Australia	100% (39)
Diebold Financial Equipment Company (China), Ltd.	China	85%
Diebold France SARL	France	100% (9)
Diebold Germany GmbH	Germany	100% (9)

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

LIST OF SIGNIFICANT SUBSIDIARIES (CONTINUED)

International	Jurisdiction under which organized	Percent of voting securities owned by Registrant
Diebold Global Finance Centre Ltd.	Ireland	100% (9)
Diebold Hungary Ltd.	Hungary	100% (9)
Diebold India Private Limited	India	100%
Diebold International Limited	United Kingdom	100% (9)
Diebold Italy S.r.l.	Italy	100% (19)
Diebold Mexico, S.A. de C.V.	Mexico	100% (8)
Diebold Netherlands B.V.	Netherlands	100% (9)
Diebold OLTP Systems, A.V.V.	Aruba, Dutch West Indies	50%
Diebold OLTP Systems, C.A.	Venezuela	50% (15)
Diebold Osterreich Selbstbedienungssysteme GmbH	Austria	100% (9)
Diebold Pacific, Limited	Hong Kong	100%
Diebold Panama, Inc.	Panama	100% (17)
Diebold Paraguay S.A.	Paraguay	100% (31)
Diebold Peru S.r.l	Peru	100% (17)
Diebold Philippines, Inc.	Philippines	100% (27)
Diebold Poland S.p. z.o.o.	Poland	100% (9)
Diebold Portugal – Solucoes Informaticas, S.A.	Portugal	100% (9)
Diebold (Romania) S.R.L.	Romania	100%
Diebold Safetell International Security Limited	Australia	100% (11)
Diebold Security and Services Pty.	Australia	100% (11)
Diebold Security Systems Limited	United Kingdom	100% (37)
Diebold Selbstbedienyngssysteme (Schweiz) GmbH	Switzerland	100% (9)
Diebold Self-Service CIS Ltd.	Russia	100% (9)
Diebold Self Service Solutions Limited Liability Company	Switzerland	100% (21)
Diebold Self Service Solutions Namibia (Pty) Ltd.	Namibia	100% (25)
Diebold Services S.A.	France	51%
Diebold Singapore Pte. Ltd	Singapore	100%
Diebold Software Services Private Limited	India	100% (13)
Diebold South Africa (Pty) Ltd.	South Africa	100%
Diebold Spain, S.L.	Spain	100% (36)
Diebold Systems Private Limited	India	100%
Diebold (Thailand) Company Limited	Thailand	100%
Diebold Uruguay S.A.	Uruguay	100% (17)
DPB S.A.	Argentina	100% (17)
DSSS Panama, S.A.	Panama	55% (16)
I-Denti-Proof Ltd.	Canada	100% (33)
Mecaf Impressoras S.A.	Brazil	100% (18)
Nexus Software UK Ltd.	United Kingdom	100% (14)
OLTP MoneyNet C.A.	Venezuela	50% (32)

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

LIST OF SIGNIFICANT SUBSIDIARIES (CONTINUED)

International	Jurisdiction under which organized	Percent of voting securities owned by Registrant
P.T. Diebold Indonesia	Indonesia	100% (10)
Procomp Amazonia Industria Eletronica S.A.	Brazil	100% (18)
Procomp Comercio e Servicos LTDA	Brazil	100% (18)
Procomp Industria Eletronica LTDA	Brazil	100% (18)
RLM Monitoring Pty. Ltd.	Australia	100% (11)
Sersi S.A.	France	100% (29)
SIAB (HK) Limited	Hong Kong	100% (5)
Shanghai Diebold King Safe Company, Limited	China	50% (24)
Shanghai Diebold Security Equipment Company, Ltd.	China	50% (24)
Shanghai Diebold Security Products Company, Limited	China	50% (24)
Sound Security Pty Ltd.	Australia	100% (11)
Starbuck Computer Empire, A.V.V.	Aruba, Dutch West Indies	50%
TASC Japan Limited	Japan	100% (39)
TASC Security (Holdings) Share Scheme Trustees Limited	United Kingdom	100% (39)
Tecron Security Pty. Ltd.	Australia	70% (23)

---

(1) 100% of voting securities are owned by Diebold Investment Company which is 100% owned by Registrant.

(2) 70% of partnership interest is owned by Diebold Holding Company, Inc., which is 100% owned by Registrant, while the remaining 30% partnership interest is owned by Diebold SST Holding Company, Inc., which is 100% owned by Registrant.

(3) 100% of voting securities are owned by Diebold Midwest Manufacturing, Inc., which is 100% owned by Registrant.

(4) 100% of voting securities are owned by Diebold Mexico Holding Company, Inc., which is 100% owned by Registrant.

(5) 100% of voting securities are owned by Diebold Self-Service Systems, which is 70% owned by Diebold Holding Company, Inc. and 30% owned by Diebold SST Holding Company, Inc., both of which are 100% owned by Registrant.

(6) 100% of voting securities are owned by Griffin Technology, Incorporated which is 100% owned by Registrant.

(7) 100% of voting securities are owned by Diebold Australia Holding Company, Inc. which is 100% owned by Registrant.

(8) 100% of voting securities are owned by Diebold Mexico Holding Company, Inc. which is 100% owned by Registrant.

(9) 100% of voting securities are owned by Diebold Self-Service Solutions Limited Liability Company, which is 95% owned by Registrant and 5% owned by Diebold Holding Company, Inc., which is 100% owned by Registrant.

(10) 88.89% of voting securities are owned by Registrant, 11.11% of voting securities are owned by Diebold Pacific, Limited, which is 100% owned by Registrant.

(11) 100% of voting securities are owned by Diebold Australia Pty. Ltd., which is 100% owned by Diebold Australia Holding Company, Inc., which is 100% owned by Registrant.

(12) 100% of voting securities are owned by Diebold Election Systems ULC, which is 100% owned by Registrant.

(13) 99.99% of voting securities are owned by Diebold Self-Service Solutions Limited Liability Company, which is 95% owned by Registrant and 5% owned by Diebold Holding Company, Inc., which is 100% owned by Registrant, while the remaining .01% of voting securities is owned by Registrant.

(14) 100% of voting securities are owned by Nexus Software, Incorporated, which is 100% owned by Registrant.

(15) 50% of voting securities are owned by Diebold Latin America Holding Company, Inc., which is 100% owned by Registrant.

(16) 55% of voting securities are owned by Diebold Latin America Holding Company, Inc., which is 100% owned by Registrant.

(17) 100% of voting securities are owned by Diebold Latin America Holding Company, Inc., which is 100% owned by Registrant.

(18) 100% of voting securities are owned by Diebold Brasil LTDA, which is 100% owned by Diebold Latin America Holding Company, Inc., which is 100% owned by Registrant.

(19) 77% of voting securities are owned by Diebold International Limited, which is 100% owned by Diebold Self-Service Solutions Limited Liability Company, which is 95% owned by Registrant and 5% owned by Diebold Holding Company, Inc., which is 100% owned by Registrant, while the remaining 23% of the voting securities are owned by Diebold Cassis Manufacturing, S.A, which is 100% owned by Registrant.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

LIST OF SIGNIFICANT SUBSIDIARIES (CONTINUED)

(20) 21.44% of voting securities are owned by Diebold Latin America Holding Company, Inc., 16.78 % of voting securities are owned by Diebold Panama, Inc. which is 100% owned by Diebold Latin America Holding Company, Inc., and the remaining 16.78% of voting securities are owned by DCHC SA, which is 100% owned by Diebold Latin America Holding Company, Inc., which is 100% owned by Registrant.

(21) 95% of voting securities are owned by Registrant, while 5% of voting securities are owned by Diebold Holding Company, Inc., which is 100% owned by Registrant.

(22) 50% of voting securities are owned by Diebold Netherlands B.V., which is 100% owned by Diebold Self-Service Solutions Limited Liability Company, , while the remaining 50% of voting securities are owned by Diebold Self-Service Solutions Limited Liability Company, which is 95% owned by Registrant and 5% owned by Diebold Holding Company, Inc., which is 100% owned by Registrant.

(23) 70% of voting securities are owned by Diebold Australia Pty. Ltd., which is 100% owned by Diebold Australia Holding Company, Inc., which is 100% owned by Registrant.

(24) 50% of voting securities are owned by Diebold China Security Holding Company, Inc., which is 100% owned by Registrant.

(25) 100% of voting securities are owned by Diebold South Africa (Pty) Ltd., which is 100% owned by Registrant.

(26) 10% of voting securities are owned by Diebold Selbstbedienungssysteme GmbH, which is 100% owned by Diebold Self Service Solutions Limited Liability Company; while the remaining 90% of voting securities are owned by Diebold Self -Service Solutions Limited Liability Company, which is 95% owned by Registrant and 5% owned by Diebold Holding Company, Inc., which is 100% owned by Registrant.

(27) 100% of voting securities are owned by Diebold (Thailand) Company Limited, which is 100% owned by Registrant.

(28) 99.99% of voting securities are owned by Diebold Columbia SA (refer to 21 for ownership), while the remaining 0.01% of voting securities are owned by Diebold Latin America Holding Company, Inc., which is 100% owned by Registrant.

(29) 100% of voting securities are owned by Diebold International Limited, which is 100% owned by Diebold Self-Service Solutions Limited Liability Company, which is 95% owned by Registrant and 5% owned by Diebold Holding Company, Inc., which is 100% owned by Registrant.

(30) .01% of voting securities are owned by Registrant, while 99.99% of voting securities are owned by Impexa LLC, which is 100% owned by Diebold Mexico Holding Company, Inc., which is 100% owned by Registrant.

(31) 1% of voting securities are owned by Registrant, while 99% of voting securities are owned by Diebold Latin America Holding Company, Inc., which is 100% owned by Registrant.

(32) 50% of voting securities are owned by Procomp Industria Eletronica LTDA, which is 100% owned by Diebold Brasil LTDA, which is 100% of voting securities are owned by Diebold Latin America Holding Company, Inc., which is 100% owned by Registrant.

(33) 100% of voting securities are owned by Griffin Technology, Incorporated, which is 100% owned by Registrant.

(34) 100% of voting securities are owned by Cardinal Brothers Consulting Pty. Ltd. (refer to 12 for ownership).

(35) 100% of voting securities are owned by Diebold Election Systems, Inc., which is 100% owned by Diebold Election Systems ULC, which is 100% owned by Registrant.

(36) 100% of voting securities are owned by VDM Holding Company, Inc., which is 100% owned by Registrant.

(37) 100% of voting securities are owned by Diebold Enterprise Security Systems, Inc., which is 100% owned by Registrant.

(38) 100% of voting securities are owned by Diebold Security Systems Limited, which is owned by Diebold Enterprise Security Systems, Inc., which is 100% owned by Registrant.

(39) 100% of voting securities are owned by Diebold Enterprise Security Systems Holdings UK Limited, which is owned by Diebold Security Systems Limited, which is owned by Diebold Enterprise Security Systems, Inc., which is 100% owned by Registrant.

(40) 100% of voting securities are owned by Diebold Enterprise Security Systems UK Limited (refer to 39 for ownership).

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Diebold, Incorporated:

We consent to the incorporation by reference in the registration statements (Nos. 33-32960, 33-39988, 33-55452, 33-54677, 33-54675, 333-32187 and 333-60578) on Form S-8 of Diebold, Incorporated of our reports dated March 10, 2006, with respect to the consolidated balance sheets of Diebold, Incorporated and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2005, and related financial statement schedule and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2005, which reports appear in the December 31, 2005 annual report on Form 10-K of Diebold, Incorporated and subsidiaries.

Our report on Internal Control over Financial Reporting expresses our opinion that Diebold, Incorporated did not maintain effective internal control over financial reporting as of December 31, 2005 because of the effect of a material weakness on the achievement of the objectives of the control criteria and contains an explanatory paragraph that states that management has identified and included in its assessment the following material weakness as of December 31, 2005:

The Company did not have personnel with sufficient technical knowledge to analyze complex revenue contracts to ensure that such transactions were accounted for in accordance with generally accepted accounting principles at its voting subsidiary, Diebold Election Systems, Inc. (DESI). Specifically, the review of these contracts did not provide for effective identification of, and consideration of, terms of certain arrangements within the contracts that impact the accounting required for the related revenue for such arrangements. This material weakness resulted in a material overstatement in the Company's revenue and material understatement in deferred revenue balances in the Company's preliminary interim and annual financial statements for the year ended December 31, 2005.

/s/ KPMG LLP

Cleveland, Ohio
March 10, 2006

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 24.1

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, That the undersigned directors of Diebold, Incorporated, a corporation organized and existing under the laws of the State of Ohio, do for themselves and not for another, constitute and appoint Warren W. Dettinger, Chad F. Hesse, Kevin J. Krakora, or any one of them, a true and lawful attorney in fact in their names, place and stead, to sign their names to the report on Form 10-K for the year ended December 31, 2005, or to any and all amendments to such reports, and to cause the same to be filed with the Securities and Exchange Commission; it being intended to give and grant unto said attorneys in fact and each of them full power and authority to do and perform any act and thing necessary and proper to be done in the premises as fully and to all intents and purposes as the undersigned by themselves could do if personally present. The undersigned directors ratify and confirm all that said attorneys in fact or either of them shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands as of the date set opposite their signature.

Signed in the presence of:	**Signature**	**Date**
/s/ Warren W. Dettinger	/s/ Christopher M. Connor Christopher M. Connor, Director	March 13, 2006
/s/ Warren W. Dettinger	/s/ Phillip R. Cox Phillip R. Cox, Director	March 13, 2006
/s/ Warren W. Dettinger	/s/ Gale S. Fitzgerald Gale S. Fitzgerald, Director	March 13, 2006
/s/ Warren W. Dettinger	/s/ Phillip B. Lassiter Phillip B. Lassiter, Director	March 13, 2006
/s/ Warren W. Dettinger	/s/ John N. Lauer John N. Lauer, Director	March 13, 2006

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 31.1

DIEBOLD, INCORPORATED AND SUBSIDIARIES

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas W. Swidarski, President and Chief Executive Officer, certify that:

1) I have reviewed this annual report on Form 10-K of Diebold, Incorporated;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5) The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of registrant' s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: March 13, 2006

DIEBOLD, INCORPORATED
(Registrant)

By: /s/ Thomas W. Swidarski

Thomas W. Swidarski
President and Chief Executive Officer
(Principal Executive Officer)

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 31.2

DIEBOLD, INCORPORATED AND SUBSIDIARIES

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin J. Krakora, Vice President and Chief Financial Officer, certify that:

1) I have reviewed this annual report on Form 10-K of Diebold, Incorporated;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5) The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of registrant' s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: March 13, 2006

DIEBOLD, INCORPORATED
(Registrant)

By: /s/ Kevin J. Krakora

Kevin J. Krakora
Vice President and Chief Financial
Officer (Principal Executive Officer)

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 32.1

DIEBOLD, INCORPORATED AND SUBSIDIARIES

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

In connection with the Annual Report on Form 10-K of Diebold, Incorporated (the "Company") for the year ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas W. Swidarski, President and Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Thomas W. Swidarski

Thomas W. Swidarski
President and Chief Executive Officer
(Principal Executive Officer)

March 13, 2006

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 32.2

DIEBOLD, INCORPORATED AND SUBSIDIARIES

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

In connection with the Annual Report on Form 10-K of Diebold, Incorporated (the "Company") for the year ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin J. Krakora, Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Kevin J. Krakora

Kevin J. Krakora
Vice President and Chief Financial Officer (Principal Executive Officer)

March 13, 2006

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document