

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2003

OR

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

For the transition period fromto

Commission file number 1-4879

[Diebold Logo]

Diebold, Incorporated

(Exact name of registrant as specified in its charter)

Ohio	34-0183970
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
5995 Mayfair Road, PO Box 3077, North Canton, Ohio	44720-8077
(Address of principal executive offices)	(Zip Code)
Registrant’s telephone number, including area code:	(330) 490-4000

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities and Exchange Act of 1934).
Yes X No _____

Indicate the number of shares outstanding of each of the issuer’s classes of Common Shares, as of the latest practicable date.

Class	Outstanding at May 5, 2003
Common Shares \$1.25 Par Value	72,238,448 Shares

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 4. DISCLOSURE CONTROLS AND PROCEDURES

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 5. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

SIGNATURES

CERTIFICATIONS

INDEX TO EXHIBITS

[EX-10.7 \(iii\) Amd/Restated 1985 Deferred Comp Plan](#)

[EX-99.1 Certification of CEO](#)

[EX-99.2 Certification of CFO](#)

DIEBOLD, INCORPORATED AND SUBSIDIARIES

FORM 10-Q

INDEX

	Page No.
PART I. FINANCIAL INFORMATION	
ITEM 1. Financial Statements	
Condensed Consolidated Balance Sheets - March 31, 2003 and December 31, 2002	3
Condensed Consolidated Statements of Income - Three Months Ended March 31, 2003 and 2002	4
Condensed Consolidated Statements of Cash Flows - Three Months Ended March 31, 2003 and 2002	5
Notes to Condensed Consolidated Financial Statements	6
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	13
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk	20
ITEM 4. Disclosure Controls and Procedures	20
PART II. OTHER INFORMATION	
ITEM 1. Legal Proceedings	20
ITEM 4. Submission of Matters to a Vote of Security Holders	21
ITEM 5. Other Information	21
ITEM 6. Exhibits and Reports on Form 8-K	21
SIGNATURES	26
CERTIFICATIONS	27
INDEX TO EXHIBITS	29

ITEM 1.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
 FORM 10-Q
 PART I – FINANCIAL INFORMATION
 FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands, except share and per share amounts)

	(Unaudited) March 31, 2003	December 31, 2002
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 138,750	\$ 155,446
Short-term investments	6,785	7,909
Trade receivables less allowances of \$8,133 and \$7,950, respectively	413,540	403,498
Inventories	247,541	236,614
Other current assets	113,682	121,421
	<hr/>	<hr/>
Total current assets	920,298	924,888
Securities and other investments	66,232	66,151
Property, plant and equipment, at cost	488,291	462,133
Less accumulated depreciation and amortization	255,328	242,500
	<hr/>	<hr/>
	232,963	219,633
Goodwill	283,182	268,606
Other assets	146,418	145,803
	<hr/>	<hr/>
	\$1,649,093	\$1,625,081
	<hr/>	<hr/>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Notes payable	\$ 159,333	\$ 226,259
Accounts payable	87,008	90,713
Deferred income	163,060	86,281
Other current liabilities	147,468	158,898
	<hr/>	<hr/>
Total current liabilities	556,869	562,151
Long-term liabilities	127,779	122,107
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 73,161,229 and 72,989,492 shares, respectively outstanding 72,219,139 and 72,111,368 shares, respectively	91,452	91,237
Additional capital	136,190	130,995
Retained earnings	870,423	856,808
Treasury shares, at cost (942,090 and 878,124 shares, respectively)	(32,505)	(30,191)
Accumulated other comprehensive loss	(96,006)	(102,413)
Other	(5,109)	(5,613)
	<hr/>	<hr/>
Total shareholders' equity	964,445	940,823
	<hr/>	<hr/>
	\$1,649,093	\$1,625,081
	<hr/>	<hr/>

See accompanying notes to condensed consolidated financial statements.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2003	2002
Net Sales		
Products	\$179,109	\$181,046
Services	231,045	220,000
	410,154	401,046
Cost of sales		
Products	115,933	120,351
Services	170,028	162,848
	285,961	283,199
Gross Profit	124,193	117,847
Selling and administrative expense	68,070	63,712
Research, development and engineering expense	14,367	13,941
	82,437	77,653
Operating Profit	41,756	40,194
Other income (expense)		
Investment income	2,522	2,000
Interest expense	(2,820)	(2,723)
Miscellaneous, net	(1,671)	710
Minority interest	(1,699)	(920)
	38,088	39,261
Income before taxes	38,088	39,261
Taxes on income	12,188	12,760
	25,900	26,501
Net income before cumulative effect of a change in accounting principle	25,900	26,501
Cumulative effect of a change in accounting principle \$38,859, net of taxes of \$5,712	—	(33,147)
Net income (loss)	\$ 25,900	\$ (6,646)
Basic weighted-average shares outstanding	72,199	71,807
Diluted weighted-average shares outstanding	72,475	72,170
Basic earnings per share:		
Income before cumulative effect of a change in accounting principle	\$ 0.36	\$ 0.37
Cumulative effect of a change in accounting principle, net of tax	—	(0.46)
Net income (loss)	\$ 0.36	\$ (0.09)
Diluted earnings per share:		
Income before cumulative effect of a change in accounting principle	\$ 0.36	\$ 0.37
Cumulative effect of a change in accounting principle, net of tax	—	(0.46)
Net income (loss)	\$ 0.36	\$ (0.09)
Cash dividends paid per common share	\$ 0.170	\$ 0.165

See accompanying notes to condensed consolidated financial statements

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	Three Months Ended March 31,	
	2003	2002
Cash flow from operating activities:		
Net income (loss)	\$ 25,900	\$ (6,646)
Adjustments to reconcile net income to cash provided by operating activities:		
Minority share of income	1,699	920
Depreciation and amortization	15,425	13,139
Deferred income taxes	100	(760)
Loss (gain) on sale of assets, net	883	(311)
Cumulative effect of accounting change	—	38,859
Cash (used) provided by changes in certain assets and liabilities:		
Trade receivables	(3,411)	(4,928)
Inventories	(7,192)	(16,875)
Prepaid expenses	(2,168)	(12,189)
Other current assets	11,425	(523)
Accounts payable	(6,502)	(25,906)
Certain other assets and liabilities	62,320	15,569
Net cash provided by operating activities	98,479	349
Cash flow from investing activities:		
Payments for acquisitions, net of cash acquired	—	(3,682)
Proceeds from maturities of investments	10,879	15,292
Proceeds from sales of investments	681	2,991
Payments for purchases of investments	(10,163)	(6,463)
Capital expenditures	(14,022)	(6,974)
Rotable spares expenditures	(10,092)	(1,452)
(Increase) decrease in certain other assets	(5,903)	11,204
Net cash (used) provided by investing activities	(28,620)	10,916
Cash flow from financing activities:		
Dividends paid	(12,285)	(11,872)
Notes payable borrowings	11,398	199,480
Notes payable repayments	(82,023)	(212,488)
Net (payments) proceeds from securitization	(3,705)	9,200
Distribution of affiliate's earnings to minority interest holder	(213)	—
Issuance of common shares	1,351	3,634
Repurchase of common shares	(2,314)	(1,035)
Net cash used by financing activities	(87,791)	(13,081)
Effect of exchange rate changes on cash	1,236	(6,598)
Decrease in cash and cash equivalents	(16,696)	(8,414)
Cash and cash equivalents at the beginning of the period	155,446	73,768
Cash and cash equivalents at the end of the period	\$138,750	\$ 65,354

See accompanying notes to condensed consolidated financial statements.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In thousands, except per share amounts)

1. CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America; however, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for a fair statement of the results for the interim periods. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto together with management’s discussion and analysis of financial condition and results of operations contained in the company’s Annual Report on Form 10-K for the year ended December 31, 2002.

In addition, some of the company’s statements in this Form 10-Q report may be considered forward-looking and involve risks and uncertainties that could significantly impact expected results. A discussion of these risks and uncertainties is contained in the management’s discussion and analysis of financial condition and results of operations in this Form 10-Q. The results of operations for the three-month period ended March 31, 2003 are not necessarily indicative of results to be expected for the full year.

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

2. STOCK OPTION PLANS

Under the 1991 Equity and Performance Incentive Plan, as amended and restated (1991 Plan), the company has granted stock options which are outstanding as of March 31, 2003. The company applies the recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations, in accounting for stock options granted under the 1991 Plan. No stock-based compensation cost is reflected in net income, as all options granted under the 1991 Plan had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*. 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 2003 and 2002: risk-free interest rate of 2.8 and 4.2 percent; dividend yield of 1.8 percent; volatility of 41 and 42 percent; and average expected lives of six years for management and four years for executive management and nonemployee directors.

	Three Months Ended March 31,	
	2003	2002
Net income (loss), as reported	\$25,900	\$(6,646)
Deduct: Total stock-based employee compensation expense determined under fair value method, net of tax	(1,007)	(709)
Net income (loss), pro forma	\$24,893	\$(7,355)
Earnings per share:		
Basic – as reported	\$ 0.36	\$ (0.09)
Basic – pro forma	\$ 0.34	\$ (0.10)
Diluted – as reported	\$ 0.36	\$ (0.09)
Diluted – pro forma	\$ 0.34	\$ (0.10)

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(In thousands, except per share amounts)

3. EARNINGS PER SHARE

The basic and diluted earnings per share computations in the condensed consolidated statements of income are based on the weighted-average number of shares outstanding during each period reported. The following data show the amounts used in computing earnings per share and the effect on the weighted-average number of shares of potentially dilutive common stock.

	Three Months Ended March 31,	
	2003	2002
Numerator:		
Income (loss) used in basic and diluted earnings per share	\$25,900	\$ (6,646)
Denominator:		
Basic weighted-average shares	72,199	71,807
Effect of dilutive fixed stock options	276	363
Diluted weighted-average shares	72,475	72,170
Basic earnings per share:		
Income before cumulative effect of a change in accounting principle	\$ 0.36	\$ 0.37
Cumulative effect of a change in accounting principle, net of tax	—	(0.46)
Net Income	\$ 0.36	\$ (0.09)
Diluted earnings per share:		
Income before cumulative effect of a change in accounting principle	\$ 0.36	\$ 0.37
Cumulative effect of a change in accounting principle, net of tax	—	(0.46)
	\$ 0.36	\$ (0.09)
Anti-dilutive shares not used in calculating diluted weighted-average shares	485	219

4. INVENTORIES

Domestic inventories are valued at the lower of cost or market applied on a first-in, first-out basis, and foreign inventories are valued using the average cost method. As the company launches new products and rationalizes its product offerings, inventory related to discontinued product is written down to salvage value.

Major classes of inventories are summarized as follows:

	March 31, 2003	December 31, 2002
Finished goods and service parts	\$ 61,997	\$ 59,781
Work in process	150,972	143,754
Raw materials	34,572	33,079
Total inventory	\$247,541	\$236,614

DIEBOLD, INCORPORATED AND SUBSIDIARIES
 FORM 10-Q
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Unaudited)
 (In thousands, except per share amounts)

5. OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive loss is reported separately from retained earnings and additional capital in the condensed consolidated balance sheets. Items considered to be other comprehensive loss include adjustments made for foreign currency translation (under Statement of Financial Accounting Standards (SFAS) No. 52), pensions (under SFAS No. 87) and unrealized holding gains and losses on available-for-sale securities (under SFAS No. 115).

Components of other accumulated comprehensive loss consist of the following:

	March 31, 2003	December 31, 2002
Translation adjustment	\$(87,961)	\$ (94,104)
Pensions less accumulated taxes of \$(2,829) for 2003 and 2002	(6,635)	(6,635)
Unrealized losses on investment securities less accumulated taxes of \$673 for 2003 and \$531 in 2002	(1,410)	(1,674)
	<u>\$(96,006)</u>	<u>\$(102,413)</u>

Components of comprehensive income (loss) consist of the following for the three months ended March 31:

	2003	2002
Net income (loss)	\$25,900	\$ (6,646)
Other comprehensive income (loss):		
Translation adjustment	6,143	(3,478)
Unrealized gain (loss) on investment securities less accumulated taxes of \$142 for 2003 and (\$155) in 2002	264	(288)
Comprehensive income (loss)	<u>\$32,307</u>	<u>\$(10,412)</u>

6. NEW ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, *Accounting for Asset Retirement Obligations*, which addresses the accounting and financial reporting for legal obligations and costs associated with the retirement of tangible long-lived assets. The company has adopted the provisions of SFAS No. 143 as of January 1, 2003 and has determined that SFAS No. 143 has no impact on its financial position, operations or cash flows.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. The statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost as defined was recognized at the date of an entity’s commitment to an exit plan. SFAS No. 146 also establishes that fair value is the objective for initial measurement of the liability. The provisions for this statement are effective for exit and disposal activities that are initiated after December 31, 2002.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(In thousands, except per share amounts)

6. NEW ACCOUNTING STANDARDS (Continued)

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others*, which addresses disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year end. The disclosure requirements are effective for financial statements for periods ending after December 15, 2002. Refer to Note 9 for discussion of the company's guarantees.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*, which amended SFAS No. 123, *Accounting for Stock-Based Compensation*. The company adopted the provisions of SFAS No. 148 as of December 31, 2002. This statement requires companies electing not to expense stock options to provide the pro forma net income and earnings per share information not only annually, but also on a quarterly basis. Refer to Note 2 for the pro forma disclosures required by SFAS No. 148 relating to the company's stock-based compensation plans. While continuing to review the matter, the company has no current plans to begin expensing stock options.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities*, an interpretation of ARB No. 51. This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies immediately to variable interests in variable interest entities created after January 31, 2003, and to variable interests in variable interest entities obtained after January 31, 2003. For public companies with a variable interest in a variable interest entity created before February 1, 2003, the Interpretation applies to that company no later than the beginning of the first interim or annual reporting period beginning after June 15, 2003. The Interpretation requires certain disclosures in financial statements issued after January 31, 2003 if it is reasonably possible that the company will consolidate or disclose information about variable interest entities when the Interpretation becomes effective. The application of this Interpretation is not expected to have a material effect on the company's consolidated financial statements.

7. ACQUISITIONS/DIVESTITURES

On January 23, 2003, the company announced the acquisition of Data Information Management Systems, Inc. (DIMS), one of the largest voter registration systems companies in the United States. DIMS was purchased for \$5,840 in company stock. The acquisition has been accounted for as a purchase business combination 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. The initial estimation of goodwill and other intangibles acquired in the transaction amounted to \$4,407.

8. SEGMENTS

The company has defined its segments as its three main sales channels: Diebold North America (DNA), Diebold International (DI) and Voting and Other. These sales channels are evaluated based on revenues from customers and operating profit contribution to the total corporation. A reconciliation between segment information and the condensed consolidated financial statements is also disclosed. All income and expense items below operating profit are not allocated to the segments and are not disclosed. Revenue by geography and revenue by product and service solutions are also disclosed.

The DNA segment sells financial and retail systems and also services financial, retail and medical systems in the United States and Canada. The DI segment sells and services financial and retail systems over the remainder of the globe. The segment called Voting and Other includes

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(In thousands, except per share amounts)

8. SEGMENTS (Continued)

the operating results of Diebold Election Systems, Inc. as well as corporate administrative costs. Each of the sales channels buys the goods it sells from the company’s manufacturing plants through intercompany sales that are eliminated on consolidation, and intersegment revenues are not significant. Each year, inter-company pricing is agreed upon which drives sales channel operating profit contribution. As permitted under SFAS 131, 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 revenue, interest expense, equity in the net income of investees accounted for by the equity method, income tax expense or benefit, extraordinary items, significant noncash items and total assets.

	DNA	DI	Voting & Other	Total
<u>Segment Information by Channel for the quarter ended March 31, 2003</u>				
Customer revenues	\$261,815	\$141,207	\$ 7,132	\$410,154
Operating profit (loss)	35,384	12,290	(5,918)	41,756
Capital & rotatable expenditures	6,105	9,839	8,170	24,114
Depreciation	3,353	4,324	4,660	12,337
Long-lived assets	214,977	119,915	153,399	488,291
<u>Segment Information by Channel for the quarter ended March 31, 2002</u>				
Customer revenues	\$241,211	\$144,880	\$ 14,955	\$401,046
Operating profit (loss)	33,274	8,637	(1,717)	40,194
Capital & rotatable expenditures	3,163	3,911	1,352	8,426
Depreciation	3,917	3,699	2,081	9,697
Long-lived assets	204,451	99,470	118,674	422,595

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(In thousands, except per share amounts)

	For the quarter ended March 31:	
	2003	2002
The Americas:		
Financial self-service solutions	\$208,087	\$221,024
Security solutions	106,805	86,772
Voting solutions	7,032	14,422
	<u>321,924</u>	<u>322,218</u>
Asia-Pacific:		
Financial self-service solutions	31,481	23,734
Security solutions	176	248
	<u>31,657</u>	<u>23,982</u>
Europe, Middle East and Africa:		
Financial self-service solutions	56,549	54,727
Security solutions	24	119
	<u>56,573</u>	<u>54,846</u>
Total Revenue	<u>\$410,154</u>	<u>\$401,046</u>

	For the quarter ended March 31:	
	2003	2002
Financial self-service:		
Products	\$126,028	\$131,381
Services	170,089	168,104
	<u>296,117</u>	<u>299,485</u>
Total financial self-service	296,117	299,485
Security:		
Products	48,411	35,450
Services	58,594	51,689
	<u>107,005</u>	<u>87,139</u>
Total security	107,005	87,139
Total financial self-service & security	403,122	386,624
Voting solutions	7,032	14,422
	<u>\$410,154</u>	<u>\$401,046</u>
Total Revenue	<u>\$410,154</u>	<u>\$401,046</u>

9. GUARANTEES AND PRODUCT WARRANTIES

The company has applied the disclosure 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 FASB Statement 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 March 31, 2003 in which the company is the guarantor.

In connection with the construction of three of its manufacturing facilities, the company has guaranteed repayment of principal and interest on a total of \$20,800 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. However, one of the manufacturing facilities was disposed of in 2002, causing \$7,500 of the bonds to become due April 1, 2003. Any default, as defined in the agreements, would obligate the company for the full amount of the outstanding bonds through maturity. At March 31, 2003, the carrying value of the liability was \$20,800.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(In thousands, except per share amounts)

9. GUARANTEES AND PRODUCT WARRANTIES (Continued)

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. As of March 31, 2003, the maximum future payment obligations relative to these various guarantees were \$21,325, of which \$12,990 represented standby letters of credit to insurance providers and no associated liability was recorded.

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:

	2003
Balance at January 1	\$11,035
Current period accruals	3,596
Accrual adjustments to reflect actual experience	—
Current period settlements	(4,491)
Balance at March 31	\$10,140

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
As of March 31, 2003
(Unaudited)
(Dollars in thousands, except per share amounts)

Material Changes in Financial Condition

The company's financial position provides it with sufficient resources to meet projected future capital expenditures, dividend and working capital requirements. However, if the need were to arise, the company's strong financial position should ensure the availability of adequate additional financial resources.

Total Assets

Total assets as of March 31, 2002 were \$1,649,093, representing an increase of \$24,012 or 1.5 percent from December 31, 2002.

Trade Receivables

Trade receivables less allowances increased by \$10,042 or 2.5 percent primarily due to a combination of increased security sales and net service contract billings that occurred at the end of the quarter.

Inventories

Inventories increased \$10,927 or 4.6 percent, as the company prepared to fulfill large orders associated with Diebold Election Systems Inc. as well as positioned itself for second quarter business.

Property, Plant and Equipment

Property, plant and equipment, net increased by \$13,330 or 6.1 percent primarily due to expenditures on rotatable spares for service parts and expenditures associated with the implementation of an Oracle global information technology platform.

Goodwill

Goodwill increased by a net \$14,576 or 5.4 percent from December 31, 2002. The increase in goodwill was due principally to the foreign currency translation adjustment impact on the goodwill recorded in local currencies coupled with goodwill arising from the first quarter acquisition of DIMS.

Current Liabilities

Total current liabilities were \$556,869, representing a decrease of \$5,282 or 0.9 percent from December 31, 2002.

Notes Payable

Notes payable decreased by \$66,926 or 29.6 percent as a result of significantly improved cashflow, which was used to repay debt during the first quarter.

At March 31, 2003, the company had U.S. dollar denominated outstanding bank credit lines approximating \$50,685, euro denominated outstanding bank credit lines approximating 91,476 (translated at \$98,743) and Australian dollar denominated outstanding bank credit lines approximating 16,500 (translated at \$9,905). An additional \$211,470 was available under credit line agreements.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS (Continued)**

As of March 31, 2003

(Unaudited)

(Dollars in thousands, except per share amounts)

Deferred Income

Deferred income is largely related to service contracts and is affected by customer service billings in advance of the period in which the service will be performed. Deferred income is recognized in income on a straight-line basis over the contract period. The company typically bills customers annually, semi-annually and quarterly, depending upon the terms of the contract. The majority of the billings occur on an annual basis with the next largest volume occurring on a semi-annual basis. As such, deferred income increased by \$76,779 or 89.0 percent from year end primarily due to the combination of annual and quarterly billings that occurred in the first quarter as well as an increase in the customer service base.

Other Current Liabilities

Other current liabilities decreased by \$11,430 or 7.2 percent, primarily due to the repayment of cash borrowed to fund owner-operated ATM's.

Long-term Liabilities

Long-term liabilities increased by \$5,672 or 4.6 percent due to the financing arrangement that was entered into during 2002 related to the purchase and implementation of the Oracle global information technology platform. Included in long-term liabilities was \$13,300 of Industrial Development Revenue Bonds. The proceeds of the bonds issued in 1997 were used to finance the construction of manufacturing facilities located in the United States.

Shareholders' Equity

Shareholders' equity was \$964,445, representing an increase of \$23,622 or 2.5 percent over December 31, 2002. Shareholders' equity per common share at March 31, 2003 increased to \$13.35 from \$13.05 at December 31, 2002. The first quarter cash dividend of \$0.17 per share was paid on March 7, 2003 to shareholders of record on February 14, 2003. On April 24, 2003, the second quarter cash dividend of \$0.17 per share was declared payable on June 6, 2003 to shareholders on record as of May 16, 2003. Diebold, Incorporated shares are listed on the New York Stock Exchange under the symbol of DBD.

Management's Analysis of Cash Flows

Operating Activities

During the quarter ended March 31, 2003, the company generated \$98,479 in cash from operating activities, compared with \$349 for the comparable period in 2002. The increase in cash from operating activities was primarily the result of increased collection of receivables related to deferred revenue and better management of working capital.

The change in certain other assets and liabilities year over year was primarily the result of the increase in deferred revenue due to the combination of annual and quarterly billings that occurred in the first quarter and an increase in the customer service base.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS (Continued)**

As of March 31, 2003

(Unaudited)

(Dollars in thousands, except per share amounts)

Investing Activities

During the quarter ended March 31, 2003, the company used \$28,620 in cash from investing activities, compared with \$10,916 of cash provided by investing activities for the comparable period in 2002. The change was due to a combination of an increase in capital and rotatable spare expenditures and an increase in certain other assets. The increase in capital expenditures was primarily due to expenditures related to the implementation of an Oracle global information technology platform. The increase in rotatable expenditures was primarily due to the company's increasing service market share internationally. The increase in certain other assets versus the first quarter 2002 was a result of a drop in finance receivables occurring with the securitization of lease receivables in the first quarter of 2002 which did not repeat in 2003.

Financing Activities

During the quarter ended March 31, 2003, net cash used by financing activities was \$87,791 compared with \$13,081 for the comparable period in 2002. The increase was primarily due to the combination of a decrease in notes payable borrowings and an increase in net repayments during the quarter.

Results of Operations

First Quarter 2003 Comparisons to First Quarter 2002

Revenue

Net sales for the first quarter of 2003 totaled \$410,154 and were \$9,108 or 2.3 percent higher than the comparable period in 2002. The increase in net sales from the Americas occurred in the security solutions markets as a result of revenue growth in the financial industry, government and retail markets which was partially offset by lower sales in financial self-service solutions and a weakening in the Brazilian real. Total product revenue decreased by \$1,937 or 1.1 percent primarily due to decreased voting solutions revenue resulting from the timing of product shipments. Service revenue increased by \$11,045 or 5.0 percent, primarily due to an increase in our core service customer base.

Gross Margin

The total gross margin for the first quarter was 30.3 percent, up from 29.4 percent in the first quarter 2002. Product gross margin increased to 35.3 percent, up from 33.5 percent in the first quarter 2002 with higher margins in each of our three business units and a lower mix of voting business. Service gross margin increased to 26.4 percent from 26.0 percent in the first quarter 2002, continuing a trend of improvement.

Operating Expenses

Total operating expenses for the quarter were 20.1 percent, up from 19.4 percent from the first quarter 2002. The increase in operating expenses was primarily the result of the change in pension expense, inclusion of the voting business for a full quarter, and an increase in research and development costs. Lower pension assumptions and the market downturn resulted in a net pension expense in the first quarter of 2003 compared to pension income in the first quarter of 2002. In addition, research and development expense increased slightly during the quarter due to the launch of the company's new *Opteva* ATM product line.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS (Continued)**

As of March 31, 2003

(Unaudited)

(Dollars in thousands, except for per share amounts)

Other Income (Expense)

Included in other income (expense) for the current quarter was miscellaneous, net expense of \$1,671, which compares to miscellaneous, net income of \$710 in the first quarter of 2002. The primary reason for the change in miscellaneous, net expense versus 2002 miscellaneous, net income was a \$1,882 gain on the securitization of certain finance receivables recognized in the first quarter of 2002 but did not repeat in the current quarter.

Net Income (Loss)

Net income (loss) was 6.3 percent of revenue compared to (1.7) percent in the first quarter 2002. The first quarter 2002 net loss included a charge of \$33,147, net of tax, related to a change in accounting principle resulting from the adoption of Statements of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*. First quarter 2002 income before the cumulative effect of a change in accounting principle was 6.6 percent of revenue.

Segment Information

First Quarter Results

Diebold North America (“DNA”) customer revenue was \$261,815 for the first quarter ended March 31, 2003, an increase of \$20,604, or 8.5 percent from the same period in 2002. The higher revenue levels were due to increased net sales in the security solutions and service markets. DNA operating profits for the same period were \$35,384, which represented an increase of \$2,110 or 6.3 percent from the same period in 2002.

Diebold International (“DI”) customer revenue was \$141,207 for the first quarter of 2003, which represented a decrease of \$3,673 or 2.5 percent from the same period in 2002. The decrease was the result of lower revenue in Latin America, which was adversely impacted from a weakening in local currency, principally the Brazilian real. This was partially offset by higher revenue in the Asia Pacific region, which continued to increase from the prior period. Activity in the Europe, Middle East and Africa markets was down, however, results did benefit in total because of a strengthening in the euro. DI operating profit for the period was \$12,290, an increase of \$3,653 or 42.3 percent from the same period in 2002 due to geographic and product mix changes.

Voting and other revenue was \$7,132 for the first quarter of 2003, which represented a decrease of \$7,823 or 52.3 percent from the same period in 2002. This decrease was due primarily to a decrease in the voting solutions market as a result of timing of product shipments.

Significant Accounting Policies

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 these 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.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS (Continued)**

As of March 31, 2003

(Unaudited)

(Dollars in thousands, except for per share amounts)

Management believes that of its significant accounting policies, its policies concerning trade receivables and revenue recognition, inventories, goodwill and pension and postretirement benefits are the most critical. Additional information regarding these policies is included below.

Trade Receivables and Revenue Recognition

Revenue is recognized based on the terms of the sales contract. The majority of sales contracts for products are written with selling terms “F.O.B. factory.” However, certain sales contracts may have other terms such as “F.O.B. destination” or “upon installation.” The company recognizes revenue on these contracts when the appropriate event has occurred. Service revenue is recognized in the period service is performed and subject to the individual terms of the service contract.

The concentration of credit risk in the company’s trade receivables with respect to the banking and financial services industries is substantially mitigated by the company’s credit evaluation process, reasonably short collection terms 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 management’s expectations. 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 basis and foreign inventories are valued using the average cost method. As the company launches new products and rationalizes its product offerings, inventory related to discontinued product is written down to salvage value.

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 no longer 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 continue to be amortized over their useful lives.

The company tests 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. An impairment charge is recognized for the amount, if any, by which the carrying amount of goodwill exceeds its implied fair value. Fair values of reporting units and the related implied fair values of their respective goodwill were established using discounted cash flows. When available and as appropriate, comparative market multiples were used to corroborate results of the discounted cash flows.

Pensions and Postretirement Benefits

The company has several pension plans covering substantially all United States employees. Plans covering salaried employees provide pension benefits that are based on the employee’s compensation during the 10 years before retirement. The company’s funding policy for those plans is to contribute annually at an actuarially determined rate. Plans covering hourly employees and union members generally provide benefits of stated amounts for each year of service.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS (Continued)**
As of March 31, 2003
(Unaudited)
(Dollars in thousands, except per share amounts)

The company's funding policy for those 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.

Minimum liabilities are recorded for plans where the total accumulated benefit obligation exceeds the fair value of the plan's assets.

In addition to providing pension benefits, the company provides healthcare and life insurance 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 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. For 2003, medical cost trend rates were projected at 8.5 percent and prescription drug cost trend rates were projected at 14.0 percent, with both cost trend rate assumptions gradually declining to 4.75 percent by 2009 and remaining at that level thereafter.

Annually, the company analyzes its key assumptions related to its pension plans. Key assumptions include the long-term rate of return on plan assets, the discount rate and the compensation levels. Such factors as financial market performance and actual compensation levels are considered when analyzing the key assumptions.

Outlook

The following statements are based on current expectations. These statements are forward-looking and actual results may differ materially. These statements do not include the potential impact of any future mergers, acquisitions, disposals or other business combinations.

Taking these factors into consideration, expectations for the second quarter and year 2003 include:

- Second quarter revenue will increase in the mid single-digit range vs. prior year.
- Depreciation and amortization will be approximately \$16 million for the second quarter.
- Pension expense of approximately \$.01 per share in the second quarter of 2003 compared to pension income of approximately \$.01 per share in the second quarter of 2002.
- Second quarter EPS to be in the range of \$.54 to \$.59.
- Full year fixed exchange rate revenue growth of 5-8 percent.
 - Financial self-service revenue growth of 2-4 percent.
 - Security growth of approximately 10-20 percent.
 - Voting business growth of approximately 15-25 percent.
- A full year effective tax rate of approximately 32.0 percent.
- Full year earnings per share guidance of \$2.32 to \$2.42.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS (Continued)**

As of March 31, 2003

(Unaudited)

(Dollars in thousands, except per share amounts)

Forward-Looking Statement Disclosure

In the company’s written or oral statements, 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 impact 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 company’s uncertainties 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, including Brazil, where a significant portion of the company’s revenue is derived;
- acceptance of the company’s product and technology introductions in the marketplace;
- unanticipated litigation, claims or assessments;
- ability to reduce costs and expenses and improve internal operating efficiencies; and
- variation in consumer demand for self-service technologies, products and services.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
As of March 31, 2003
(Unaudited)

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The company is exposed to foreign currency exchange rate risk inherent in our 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 2003 quarter-to-date operating profit of approximately \$1,467. 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.

ITEM 4. DISCLOSURE CONTROLS AND PROCEDURES

The company evaluated the design and operation of its disclosure controls and procedures to determine whether they are effective in ensuring that the disclosure of required information is timely made in accordance with the Exchange Act and the rules and forms of the Securities and Exchange Commission. This evaluation was made under the supervision and with the participation of management, including the company's principal executive officer and principal financial officer within the 90-day period prior to the filing of this Quarterly Report on Form 10-Q. The principal executive officer and principal financial officer have concluded, based on their review, that the company's disclosure controls and procedures, as defined at Exchange Act Rules 13a-14(c) and 15d-14(c), are effective to ensure that information required to be disclosed by the company in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. No significant changes were made to the company's internal controls or other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

At March 31, 2003, 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 condensed consolidated financial statements would not be materially affected by the outcome of any present legal proceedings, commitments, or asserted claims.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
PART II. OTHER INFORMATION (Continued)

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

The Registrant’s annual meeting of shareholders was held on April 24, 2003. Each matter voted upon at such meeting and the number of shares cast for, against or withheld, and abstained are as follows:

1. Election of Directors

	For	Withheld
Louis V. Bockius III	65,176,769	1,119,078
Christopher M. Connor	65,351,568	944,279
Richard L. Crandall	65,199,950	1,095,897
Gale S. Fitzgerald	65,124,275	1,171,572
Phillip B. Lassiter	65,448,970	846,877
John N. Lauer	65,445,301	850,546
William F. Massy	65,409,823	886,024
Walden W. O’Dell	65,155,511	1,140,336
Eric J. Roorda	65,450,310	845,537
W. R. Timken, Jr.	63,006,170	3,289,677
Henry D.G. Wallace	65,416,204	879,643
Patrick Lysobey	13,310	—

2. Ratification of Appointment of KPMG LLP as Independent Auditors for 2003

For	Against	Abstained
63,776,183	2,243,902	289,072

There were no broker non-votes.

ITEM 5. OTHER INFORMATION

On April 28, 2003, the company issued a news release disclosing the death on April 26, 2003 of its chief operating officer, Wesley B. Vance.

Vance joined the company in October 2000 as president of its North America business unit and was named chief operating officer in 2001. He was responsible for managing the company’s global operations including research, development, manufacturing, purchasing, human resources, sales and service.

Walden W. O’Dell, chairman, president and chief executive officer, will assume the company’s day-to-day operational responsibilities until a successor is named.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a)	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.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
PART II. OTHER INFORMATION (Continued)

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a)	Exhibits (Continued)
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 dated February 11, 1999.
*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 in the form of Exhibit 10.1 — incorporated by reference to Exhibit 10.2 to Registrant’s Form 10-K for the year ended December 31, 2000. (Commission File No. 1-4879)
*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).
*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)
*10.7	(iii) Amendment No. 2 to the Amended and Restated 1985 Deferred Compensation Plan for Directors of Diebold, Incorporated.
*	Reflects management contract or other compensatory arrangement required to be filed as an exhibit pursuant to Item 6 (c) of this report.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
PART II. OTHER INFORMATION (Continued)

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits (Continued)

*10.8		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.
*10.9		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)	1992 Deferred Incentive Compensation Plan (as amended and restated) – 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)
*10.11		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 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)
*10.16		Separation Agreement with Gerald F. Morris — incorporated by reference to Exhibit 10.16 of Registrant’s Annual Report on Form 10-K for the year ended December 31, 1999. (Commission File No. 1-4879)
10.17	(i)	Loan Agreement dated as of December 1, 1999 among Diebold, Incorporated, the Subsidiary Borrowers, the Lenders and Bank One, Michigan as Agent — incorporated by reference to Exhibit 10.17 of Registrant’s Annual Report on Form 10-K for the year ended December 31, 2000. (Commission File No. 1-4879)
10.17	(ii)	First Amendment to Loan Agreement dated as of December 1, 1999 among Diebold, Incorporated, the Subsidiary Borrowers, the Lenders and Bank One, Michigan as Agent – incorporated by reference to Exhibit 10.17 (ii) of Registrant’s Annual Report on Form 10-K for the year ended December 31, 2000. (Commission File No. 1-4879)
	*	Reflects management contract or other compensatory arrangement required to be filed as an exhibit pursuant to Item 6 (c) of this report.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
PART II. OTHER INFORMATION (Continued)

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits (Continued)

10.17	(iii)	Second Amendment to Loan Agreement dated as of December 1, 1999 among Diebold, Incorporated, the Subsidiary Borrowers, the Lenders and Bank One, Michigan as Agent – incorporated by reference to Exhibit 10.17 (iii) of Registrant’s Annual Report on Form 10-K for the year ended December 31, 2000. (Commission File No. 1-4879)
10.17	(iv)	Third Amendment to Loan Agreement dated as of March 30, 2001 among Diebold, Incorporated, the Subsidiary Borrowers, the Lenders and Bank One, Michigan as Agent – incorporated by reference to Exhibit 10.17 (iv) of Registrant’s Form 10-Q for the quarter ended June 30, 2001. (Commission File No. 1-4879)
10.17	(v)	Fourth Amendment to Loan Agreement dated as of February 13, 2002 among Diebold, Incorporated, the Subsidiary Borrowers, the Lenders and Bank One, Michigan as Agent – incorporated by reference to Exhibit 10.17 (v) of Registrant’s Annual Report on Form 10-K for the year ended December 31, 2001. (Commission File No. 1-4879)
10.17	(vi)	Fifth Amendment to Loan Agreement dated as of May 24, 2002 among Diebold, Incorporated, the Subsidiary Borrowers, the Lenders and Bank One, Michigan as Agent – incorporated by reference to Exhibit 10.17 (vi) of Registrant’s Form 10-Q for the quarter ended June 30, 2002. (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.
*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)
*10.19		Employment Agreement with Wesley B. Vance — incorporated by reference to Exhibit 10.19 of Registrant’s Annual Report on Form 10-K for the year ended December 31, 2000. (Commission File No. 1-4879)
10.20	(i)	Transfer and Administration Agreement by and among DCC Funding LLC, Diebold Credit Corporation, Diebold, Incorporated, Receivables Capital Corporation and Bank of America, National Association – 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 by and among DCC Funding LLC, Diebold Credit Corporation, Diebold, Incorporated, Receivables Capital Corporation and Bank of America, National Association – 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)
99.1		Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
99.2		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 6 (c) of this report.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
PART II. OTHER INFORMATION (Continued)

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K (Continued)

(b) Reports on Form 8-K.

No reports on Form 8-K were filed by Registrant during the first quarter of 2003.

(c) Refer to page 29 of this Form 10-Q for an index of exhibits to this Form 10-Q.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
SIGNATURES

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

DIEBOLD, INCORPORATED

(Registrant)

Date : May 9, 2003

By: /s/ Walden W. O'Dell

Walden W. O'Dell
Chairman of the Board,
President and Chief
Executive Officer (Principal
Executive Officer)

Date : May 9, 2003

By: /s/ Gregory T. Geswein

Gregory T. Geswein
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
CERTIFICATIONS

I, Walden W. O'Dell, Chairman of the Board, President and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Diebold, Incorporated;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
 - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
 - b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on the evaluation as of the Evaluation Date;
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and
6. The Registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

DIEBOLD, INCORPORATED
(Registrant)

By: /s/ Walden W. O'Dell
Walden W. O'Dell
Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
CERTIFICATIONS (Continued)

I, Gregory T. Geswein, Senior Vice President and Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Diebold, Incorporated;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
 - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
 - b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on the evaluation as of the Evaluation Date;
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and
6. The Registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

DIEBOLD, INCORPORATED
(Registrant)

By: /s/ Gregory T. Geswein
Gregory T. Geswein
Senior Vice President and Chief
Financial Officer (Principal
Financial Officer)

DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q
INDEX TO EXHIBITS

EXHIBIT NO.		PAGE NO.
10.7	(iii) Amendment No. 2 to the Amended and Restated 1985 Deferred Compensation Plan for Directors of Diebold, Incorporated.	30
99.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.	31
99.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.	32