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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2001

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, 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 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 14, 2001**
Common Shares $1.25 Par Value	71,591,251 Shares

DIEBOLD, INCORPORATED AND SUBSIDIARIES

FORM 10-Q

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DIEBOLD, INCORPORATED AND SUBSIDIARIES
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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	(Unaudited) March 31, 2001	December 31, 2000
ASSETS		
Current assets		
Cash and cash equivalents	$ 50,865	$ 65,184
Short-term investments	54,981	61,328
Trade receivables less allowances of $13,024 and $12,093, respectively	373,446	363,571
Notes receivable	1,219	13,663
Inventories	221,752	205,567
Finance receivables	42,287	35,101
Deferred income taxes	19,975	17,232
Prepaid expenses and other current assets	76,243	42,717
Total current assets	840,768	804,363
Securities and other investments	124,426	123,224
Property, plant and equipment, at cost	375,105	363,493
Less accumulated depreciation and amortization	195,680	188,547
	179,425	174,946
Deferred income taxes	984	6,044
Finance receivables	27,912	94,364
Goodwill	280,800	296,101
Other assets	96,502	86,385
	$1,550,817	$1,585,427
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Notes payable	$ 142,585	$ 263,609
Accounts payable	114,742	111,055
Estimated income taxes	7,966	5,594
Accrued insurance	12,699	13,365
Deferred income	112,538	59,242
Other current liabilities	161,836	113,927
Total current liabilities	552,366	566,792
Bonds payable	20,800	20,800
Pensions and other benefits	28,898	28,386
Postretirement and other benefits	28,792	28,123
Other liabilities	4,097	—
Minority interest	5,895	5,260
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 72,054,031 and 72,019,205 shares, respectively outstanding 71,563,812 and 71,547,232 shares, respectively	90,067	90,024
Additional capital	98,874	98,530
Retained earnings	780,171	784,063
Treasury shares, at cost (490,219 and 471,973 shares, respectively)	(16,455)	(15,944)
Accumulated other comprehensive income	(35,119)	(12,658)
Other	(7,569)	(7,949)
Total shareholders' equity	909,969	936,066
	$1,550,817	$1,585,427

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Net Sales		
Products	$188,458	$180,384
Services	195,396	164,208
	383,854	344,592
Cost of sales		
Products	113,337	104,293
Special charges	4,000	—
Services	149,360	123,476
	266,697	227,769
Gross Profit	117,157	116,823
Selling and administrative expense	67,750	56,756
Research, development and engineering expense	14,754	10,870
Realignment charges	21,124	—
	103,628	67,626
Operating Profit	13,529	49,197
Other income (expense)		
Investment income	4,874	5,901
Interest expense	(4,143)	(3,291)
Miscellaneous, net	(2,150)	(4,780)
Minority interest	(831)	(370)
Income before taxes	11,279	46,657
Taxes on income	3,722	15,397
Net income	$ 7,557	$ 31,260
Basic weighted-average shares outstanding	71,554	71,130
Diluted weighted-average shares outstanding	71,741	71,444
Basic earnings per share	$ 0.11	$ 0.44
Diluted earnings per share	$ 0.11	$ 0.44
Cash dividends paid per Common Share	$ 0.160	$ 0.155

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2001	2000
Cash flow from operating activities:		
Net income	$ 7,557	$ 31,260
Adjustments to reconcile net income to cash provided by operating activities:		
Minority share of income	831	370
Depreciation	8,766	5,707
Other charges and amortization	10,276	7,097
Deferred income taxes	2,801	(3,863)
Loss on disposal of assets, net	479	1,928
Loss on sale of investments, net	—	113
Cash provided (used) by changes in certain assets and liabilities:		
Trade receivables	(1,738)	(60,420)
Inventories	(19,627)	(22,974)
Prepaid expenses and other current assets	(35,387)	(1,634)
Accounts payable	6,148	(9,999)
Certain other assets and liabilities	128,671	67,229
Net cash provided by operating activities	108,777	14,814
Cash flow from investing activities:		
Proceeds from maturities of investments	15,669	15,571
Proceeds from sales of investments	—	10,008
Payments for purchases of investments	(11,284)	(6,825)
Capital expenditures	(16,706)	(7,120)
Decrease (increase) in net finance receivables	59,240	(413)
Increase in certain other assets	(40,340)	(9,940)
Net cash provided by investing activities	6,579	1,281
Cash flow from financing activities:		
Dividends paid	(11,449)	(11,042)
Notes payable borrowings	40,490	10,000
Notes payable repayments	(155,836)	(27,000)
Distribution of affiliate’s earnings to minority interest holder	(125)	(150)
Issuance of Common Shares	194	1,755
Repurchase of Common Shares	(511)	(1,075)
Net cash used by financing activities	(127,237)	(27,512)
Effect of exchange rate changes on cash	(2,438)	—
Decrease in cash and cash equivalents	(14,319)	(11,417)
Cash and cash equivalents at the beginning of the period	65,184	27,299
Cash and cash equivalents at the end of the period	$ 50,865	$ 15,882

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 for per share amounts)

1. The financial information included herein is unaudited; 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 Registrant's Annual Report on Form 10-K for the year ended December 31, 2000. In addition, the Registrant'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, 2001 are not necessarily indicative of results to be expected for the full year.

2. 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 dilutive potential common stock.

	Three Months Ended March 31,	
	2001	2000
Numerator:		
Income used in basic and diluted earnings per share	$ 7,557	$31,260
Denominator:		
Basic weighted-average shares	71,554	71,130
Effect of dilutive fixed stock options	187	314
Diluted weighted-average shares	71,741	71,444
Basic earnings per share	$ 0.11	$ 0.44
Diluted earnings per share	$ 0.11	$ 0.44
Anti-dilutive shares not used in calculating diluted weighted-average shares	1,332	1,450

3. Inventory detail at:

	March 31, 2001	December 31, 2000
Finished goods and service parts	$ 68,537	$ 63,855
Work in process	142,757	130,578
Raw materials	10,458	11,134
Total inventory	$221,752	$205,567

(Unaudited)
(In thousands except for per share amounts)

4. The Registrant has reclassified the presentation of certain prior-year information to conform with the current presentation format.

5. The Registrant displays the balance of accumulated other comprehensive income separately from retained earnings and additional capital in the equity section of the Balance Sheet. Items considered to be other comprehensive income 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). Comprehensive income for the three months ended March 31, 2001 and 2000 was $(14,904) and $35,186, respectively.

6. The Registrant recognized a pre-tax charge of $27,124 ($0.25 per diluted share, after-tax) in connection with a corporate-wide realignment program. The major components of the restructuring charge are as follows: a special charge of $4,000 primarily for the write-off of inventory from exited lines of business and a realignment charge of $21,124 for staffing reductions, closing of the Staunton, Virginia facility, sale of MedSelect and the $2,000 write-down of accounts receivable. An accrual of $21,124 was established for the realignment costs associated with the program that were incurred during the first quarter but not paid. As of March 31, 2001, approximately 470 jobs have been eliminated. Costs incurred for the closing of the Staunton, Virginia facility and staffing reductions totaling $2,212 have been paid from the accrual with the remaining balance of $18,912 as of March 31, 2001. The Registrant also expects to incur additional charges in the range of $30 to $40 million through the balance of 2001. Savings from the realignment program are estimated to be $25 million annually.

7. In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, which for the Registrant, was effective January 1, 2001. SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument (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 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 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. The cumulative effect of adopting SFAS 133 as of January 1, 2001 was not material to the Registrant's consolidated financial statements.

   Since a substantial portion of the Registrant's operations and revenue arise outside of the United States, financial results can be significantly affected by changes in foreign exchange rate movements. The Registrant's 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 Registrant'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 Registrant does not enter into any speculative positions with regard to derivative instruments. The Registrant's foreign currency hedges generally mature within six months.

   The Registrant 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 Registrant's foreign currency hedges are designated as fair value hedges and the resulting changes in fair values are recognized in earnings in the current period in other income or expense. Results from the Registrant's foreign currency hedges were not material to the financial statements for first quarter 2001. At March 31, 2001, the net fair value of derivatives designated as fair value hedges was not material to the financial statements.

8. In September 2000, the FASB issued SFAS No. 140, Accounting for Transfer and Servicing of Financial Assets and Extinguishments of Liabilities – a Replacement of FASB Statement No. 125.

   On March 30, 2001, the Registrant entered into an agreement to sell, on an ongoing basis, a pool of its lease receivables to a wholly owned, unconsolidated, qualified, special purpose subsidiary, DCC Funding LLC (DCCF). The Registrant sold $95.3 million of lease receivables on March 30, 2001 to DCCF. Under a 364 day facility agreement, DCCF sold and, subject to certain conditions, may from time to time sell an undivided fractional ownership interest in the pool of receivables to a multi-seller receivables securitization company (Conduit). Upon sale of the receivables to the Conduit, DCCF holds a subordinated interest in the receivables and services, administers and collects the receivables. DCCF and the Conduit have no recourse to the Registrant's other assets for failure of debtors to pay when due. Costs associated with the sale of the receivables were $457 as of March 31, 2001.

The Registrant has a retained interest in the transferred receivables in the form of a note receivable from DCCF to the extent that they exceed advances to DCCF by the Conduit. The Registrant initially and subsequently measures the fair value of the retained interest at management’s best estimate of the undiscounted expected future cash collections on the transferred receivables. Actual cash collections may differ from these estimates and would directly affect the fair value of the retained interests. As of March 31, 2001, the Registrant received proceeds from the new securitization of $71.4 million. The Registrant recorded an after-tax gain of $2.3 million on the sale of the receivables to DCCF.

9. In determining reportable segments, the Registrant considers its operating and management structure and the types of information subject to regular review by its executive management team. During 2001, the Registrant reassessed the appropriate reporting structure given acquisitions and divestitures completed over the prior two years. The objective is to create the most advantageous structure to achieve operating, marketing and cost synergies among its operating units. As a result of that review and assessment, information subject to regular review by its executive management team has changed and is now aggregated in three reporting segments consisting of its three main sales channels: Diebold North America (DNA), Diebold International (DI) and Other, which combines several of the Registrant’s smaller sales channels. 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 solution are also disclosed. Information for previous years has been restated to reflect the change.

   The DNA segment sells financial and retail systems and also services financial, retail, medical systems and educational customers 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 Other sells miscellaneous parts and products to other customers. Each of the sales channels buys the goods it sells from the Registrant’s manufacturing plants through inter-company sales that are eliminated on consolidation. Each year, inter-company pricing is agreed upon which drives sales channel operating profit contribution. As permitted under Statement 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 disclosed are as follows: interest revenue, interest expense, depreciation, amortization, equity in the net income of investees accounted for by the equity method, income tax expense or benefit, extraordinary items, significant noncash items and long-lived assets.

(In thousands except for per share amounts)

	DNA	DI	Other	Total
1st Quarter 2001 Segment Information by Channel				
Customer revenues	**$229,327**	**$151,080**	**$ 3,447**	**$383,854**
Realignment and special charges	**(10,998)**	**(7,126)**	**(9,000)**	**(27,124)**
Operating profit/(loss)	**17,875**	**7,104**	**(11,450)**	**13,529**
1st Quarter 2000 Segment Information by Channel				
Customer revenues	**$242,543**	**$ 99,264**	**$ 2,785**	**$344,592**
Realignment and special charges	**—**	**—**	**—**	**—**
Operating profit/(loss)	**47,233**	**7,821**	**(5,857)**	**49,197**

Total Revenue by Geography

For the period ending March 31:

	2001	2000
The Americas:		
Financial self-service solutions	$230,222	$232,183
Security solutions	69,996	71,342
Other (voting machines/MedSelect)	1,441	3,555
Total Americas	301,659	307,080
Asia-Pacific:		
Financial self-service solutions	20,947	14,023
Security solutions	255	427
Total Asia-Pacific	21,202	14,450
Europe, Middle East and Africa:		
Financial self-service solutions	60,864	22,994
Security solutions	129	68
Total Europe, Middle East and Africa	60,993	23,062
Total Revenue	$383,854	$344,592

Total Revenue by Product and Service Solutions

For the period ending March 31:

	2001	2000
Self-service solutions hardware	$138,182	$126,786
Professional and special services	18,001	17,291
Total product financial self services	156,183	144,077
Maintenance services	155,850	125,123
Total financial self-service solutions	312,033	269,200
Security solutions hardware	30,834	32,751
Maintenance services	39,546	39,086
Total security solutions	70,380	71,837
Total excluding voting machines and MedSelect	382,413	341,037
Voting machines	—	614
MedSelect	1,441	2,941
Total Revenue	$383,854	$344,592

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

As of March 31, 2001
(Unaudited)
(Dollars in thousands except for per share amounts)

Material Changes in Financial Condition

Total assets for the first quarter ended March 31, 2001 were $1,550,817, down $34,610, or 2.2 percent from December 31, 2000, primarily due to the securitization of finance receivables, increasing net cash provided by operating activities. Inventories increased $16,185 primarily due to the Registrant's shift of manufacturing processes overseas in order to meet international demand more efficiently. The increase in prepaid expenses and other current assets of $33,526 is primarily due to timing of payments for value added tax, insurance and other premiums.

Total liabilities of $640,848 are down $8,513 from December 31, 2000. The net decrease is primarily due to the paydown of notes payable through the use of cash provided from operating activities and securitization proceeds and offset by an increase in deferred revenue due to an increase in the customer service base.

Future capital expenditures, acquisitions and increases in working capital are expected to be financed through internally generated funds and external financing. If necessary, the Registrant's investment portfolio is available for any funding needs. External financing is also available if needed through the Registrant's lines of credit. At March 31, 2001, the Registrant's bank credit lines approximated $250,000, and EUR 125,000 (translation $109,750) with various institutions. The Registrant had $142,445 outstanding borrowings under these agreements, with an average short-term rate of 5.54 percent. These lines of credit represent an additional and immediate source of liquidity.

Shareholders' equity decreased $26,097 over December 31, 2000. Accumulated other comprehensive income decreased by $22,461 due to foreign currency translation adjustments. Shareholders' equity per Common Share at March 31, 2001 decreased to $12.72 from $13.08 at December 31, 2000. The first quarter cash dividend of $0.16 per share was paid on March 9, 2001 to shareholders of record on February 16, 2001. On April 26, 2001, the second quarter cash dividend of $0.16 per share was declared payable on June 8, 2001 to shareholders of record on May 18, 2001. Diebold, Incorporated shares are listed on the New York Stock Exchange under the symbol of DBD. The market price during the first three months of 2001 fluctuated within the range of $25.75 and $36.38.

Results of Operations

Overall, net sales for the first quarter of 2001 increased from the same period in 2000 by $39,262 or 11.4 percent, primarily due to an increased customer base as a result of the acquisitions that occurred in the past two years. Total product revenue showed an increase of $8,074, or 4.5 percent over the first quarter of 2000. Total service revenue for the quarter was up from the prior year by $31,188 or 19.0 percent.

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

As of March 31, 2001
(Unaudited)
(Dollars in thousands except for per share amounts)

Results of Operation (continued)

Gross profit of $117,157 was $334, or 0.3 percent higher than the same quarter last year. Product gross margin of 39.9 percent was down from 2000 first quarter gross margin of 42.2 percent. Service gross margin of 23.6 percent was down from 24.8 percent a year ago due to a very competitive service market. The margins were negatively affected due to the increase in the international revenue mix that is accompanied by lower margins due to a competitive international environment.

Total operating expenses of $103,628 were 27.0 percent of revenue, which was an increase from 19.6 percent of revenue in 2000, primarily due to realignment costs incurred during the first quarter of 2001. Excluding realignment charges, total operating expenses remained flat as a percentage of revenue.

Net income of $7,557 was down by 75.8 percent over first quarter 2000 net income of $31,260, resulting in first quarter diluted earnings per share of $0.11. The decrease is primarily due to first quarter realignment and special charges of $18,173 (after-tax).

Segment Information

DNA customer revenues of $229,327 for the first quarter ended March 31, 2001 decreased by $13,216, or 5.4 percent from the same period in 2000, due to the weakness of the U.S. market. DNA operating profits for the same period were down by $29,358, or 62.2 percent, primarily due to realignment and special charges.

DI customer revenues were up for the first quarter of 2001 over the same quarter of 2000 by $51,816, or 52.2 percent. Europe, the Middle East and Africa revenue increased $37,931, or 164.5 percent. Again, the increase in international revenues is primarily due to an increased customer base resulting from the acquisitions that occurred during the past two years. Asia-Pacific revenue increased $6,752, or 46.7 percent from the same period in 2000 due to growing demands in the Asia-Pacific market.

The segment called Other showed an operating loss of $11,450 for the first quarter of 2001, primarily due to the realignment expense.

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

As of March 31, 2001
(Unaudited)
(Dollars in thousands except for per share amounts)

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 mergers, acquisitions or other business combinations that may be completed after March 31, 2001. Registrant's expectations include:

- Second quarter earnings per share in the range of $.43 to $.49, excluding realignment and special charges. Full year 2001 earnings per share in the range of $1.95 to $2.00, excluding realignment and special charges.
- Additional realignment and special charges are estimated in the range of $30 million to $40 million during the remainder of 2001, of which approximately $5 million to $10 million will be in the second quarter.
- Depreciation, amortization and goodwill in the range of $70 million to $75 million for the year 2001.
- Capital expenditures of approximately $50 million for 2001.
- Effective tax rate of approximately 33 percent.

Forward-Looking Statement Disclosure

In the Registrant'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 Registrant, including statements concerning future operating performance, the Registrant's share of new and existing markets, and the Registrant's short- and long-term revenue and earnings growth rates. Although the Registrant 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 Registrant, there can be no assurance that the Registrant's goals will be realized. The Registrant 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 Registrant's uncertainties could cause actual results to differ materially from those anticipated in forward-looking statements. These include, but are not limited to:

- competitiveness pressures, including pricing pressures and technological developments;
- changes in the Registrant'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 Registrant's operations, including Brazil, where a significant portion of the Registrant's revenue is derived;
- acceptance of the Registrant's product and technology introductions in the marketplace;
- unanticipated litigation, claims or assessments;
- ability to continue to generate revenue growth in both domestic and international markets;
- ability to reduce costs and expenses and improve internal operating efficiencies; and
- variation in consumer demand for biometrics and self-service technologies, products and services.