

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 29, 2014



NCR CORPORATION

(Exact name of registrant as specified in its charter)

Commission File Number 001-00395

Maryland

(State or other jurisdiction of
incorporation or organization)

31-0387920

(I.R.S. Employer
Identification No.)

**3097 Satellite Boulevard
Duluth, Georgia 30096**

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (937) 445-5000

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On July 29, 2014, the Company issued a press release setting forth its second quarter 2014 financial results along with its updated fiscal year 2014 financial outlook and its third quarter 2014 financial outlook. A copy of the press release is attached hereto as Exhibit 99.1 and hereby incorporated by reference.

Item 7.01. Regulation FD Disclosure.

On July 29, 2014, the Company will hold its previously announced conference call to discuss its second quarter 2014 results, its updated fiscal year 2014 financial outlook and its third quarter 2014 financial outlook. A copy of supplementary materials that will be referred to in the conference call, and which were posted to the Company's website, is attached hereto as Exhibit 99.2.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

The following exhibits are attached with this current report on Form 8-K:

Exhibit No.	Description
99.1	Press Release issued by the Company, dated July 29, 2014
99.2	Supplemental materials, dated July 29, 2014

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 hereunto duly authorized.

NCR Corporation

By: /s/ Robert Fishman
Robert Fishman
Senior Vice President and Chief Financial Officer

Date: July 29, 2014

Index to Exhibits

The following exhibit is attached with this current report on Form 8-K:

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release issued by the Company, dated July 29, 2014
99.2	Supplemental materials, dated July 29, 2014



July 29, 2014

NCR Announces Second Quarter 2014 Results*Software-related revenue growth continues to drive increased operational gross margin*

- Revenue increased 8% to \$1.66 billion; 42% growth in software-related revenue to \$446 million, including 247% growth in SaaS revenue to \$125 million
- Non-pension operating income (NPOI) increased 15% to \$210 million; GAAP income from operations increased 22% to \$169 million
- Non-GAAP diluted EPS of \$0.68; GAAP diluted EPS of \$0.53
- Free cash flow increased \$24 million; GAAP net cash provided by operating activities increased \$112 million
- Announcing restructuring plan to strategically reallocate resources to position NCR to focus on highest growth opportunities; Expected annualized savings to reach approximately \$90 million by 2016
- Revenue and non-GAAP guidance reaffirmed for full-year 2014

DULUTH, Georgia - NCR Corporation (NYSE: NCR) reported financial results today for the three months ended June 30, 2014.

"We made expected progress and generated solid results during the second quarter. In particular, I was pleased with software-related revenue growth of 42%, and organic software-related revenue growth of 15%" said Chairman and CEO Bill Nuti. "Our performance was led by Financial Services, where we are seeing continued demand for our branch transformation solutions and our expanded software portfolio following the acquisition of Digital Insight earlier this year."

Nuti continued, "As we enter the second half of our fiscal year we are implementing a restructuring plan focused on reallocating our resources to our highest growth, highest margin opportunities; in essence, aligning our resources to the realities of our transformed revenue streams. This is the right time for NCR to take this step now that we have the operational assets we need for the future, and have had time to assess the impact of our acquisitions and organic investments. This action, beyond being strategically sound, is also economically compelling. As a result of this restructuring program, NCR will achieve run-rate savings of approximately \$90 million per year by 2016."

Q2 Financial Summary

\$ in millions, except per share amounts	Second Quarter		
	2014	2013	Change
Revenue	\$1,658	\$1,535	8% *
Income from operations	\$169	\$139	22%
Non-pension operating income (NPOI)	\$210	\$182	15%
Diluted earnings per share	\$0.53	\$0.51	4%
Non-GAAP diluted earnings per share	\$0.68	\$0.68	—

* Revenue growth of 9% on a constant currency basis.

In this release, we use the non-GAAP measures non-pension operating income (NPOI), non-GAAP diluted earnings per share, free cash flow and revenue growth on a constant currency basis. These non-GAAP measures are described and reconciled to their corresponding GAAP measures elsewhere in this release.

Q2 Supplemental Revenue Information

\$ in millions	Second Quarter		
	2014	2013	Change
Software-as-a-Service (SaaS)	\$ 125	\$ 36	247%
Software License/Software Maintenance	172	154	12%
Professional Services	149	124	20%
Total Software-Related Revenue	446	314	42%
Hardware	637	664	(4%)
Other Services	575	557	3%
Total Revenue	\$ 1,658	\$ 1,535	8%

Software-related revenue increased 42% in the second quarter, including 247% growth related to SaaS. Excluding the contribution of Digital Insight, software-related revenue increased 15% and SaaS revenue increased 17%.

Q2 Operating Segment Results

\$ in millions	Second Quarter		
	2014	2013	% Change
Revenue by segment			
Financial Services	\$ 900	\$ 782	15 %
Retail Solutions	503	515	(2)%
Hospitality	170	158	8 %
Emerging Industries	85	80	6 %
Total Revenue	\$ 1,658	\$ 1,535	8 %
Operating income by segment			
Financial Services	\$ 137	\$ 95	
% of Financial Services Revenue	15.2%	12.1%	
Retail Solutions	48	49	
% of Retail Solutions Revenue	9.5%	9.5%	
Hospitality	23	27	
% of Hospitality Revenue	13.5%	17.1%	
Emerging Industries	2	11	
% of Emerging Industries Revenue	2.4%	13.8%	
Segment operating income	\$ 210	\$ 182	
% of Total Revenue	12.7%	11.9%	

Revenue increased 8% compared to the prior year led by strong growth in Financial Services, Hospitality and Emerging Industries. Within Financial Services, branch transformation continued to drive strong growth, and Digital Insight contributed \$87 million of revenue in the second quarter of 2014. Retail Solutions results were as expected due to a difficult comparison versus the prior year.

Segment operating income increased 15% and as a percentage of total revenue increased 80 basis points compared to the prior year. The increase was led by Financial Services, where growth was driven by a higher mix of software-

related revenue. Retail Solutions operating income was as expected, and improved as a percentage of Retail Solutions revenue compared to Q1 2014. Hospitality operating income was lower than the prior year due to a large software transaction in the prior year period, and improved significantly as a percentage of Hospitality revenue compared to Q1 2014. Emerging Industries operating income was negatively impacted by onboarding costs associated with new managed services contracts and continued investment in Small Business.

Free Cash Flow

\$ in millions	Second Quarter	
	2014	2013
Net cash provided by operating activities	\$ 80	\$ (32)
Total capital expenditures	(73)	(44)
Net cash (used in) provided by operating activities from discontinued operations	(22)	(25)
Pension discretionary contributions and settlements	18	80
Free cash flow	\$ 3	\$ (21)

Free cash flow increased mainly due to higher net income and improvements in working capital.

More information on NCR's Q2 2014 earnings, including additional financial information and analysis, is available on NCR's Investor Relations website at <http://investor.ncr.com/>.

2014 Outlook

Income from operations (GAAP) and Diluted earnings per share (GAAP) have been revised to reflect the impact of the expected charge of \$150 million, or \$0.61 per diluted share, to be incurred in connection with the restructuring plan described below. There have been no changes to revenue, non-pension operating income or non-GAAP diluted EPS included in the table below.

\$ in millions, except per share amounts	2014 Guidance	2013 Actual
Revenue	\$6,750 - \$6,850 ⁽¹⁾	\$6,123
Year-over-year revenue growth	10% - 12% ⁽¹⁾	7%
Income from operations (GAAP)	\$580 - \$600 ^{(2) (3)}	\$666 ⁽²⁾
Non-pension operating income (NPOI)	\$900 - \$920	\$717
Diluted earnings per share (GAAP)	\$1.75 - \$1.85 ^{(2) (3)}	\$2.67 ⁽²⁾
Non-GAAP Diluted EPS	\$3.00 - \$3.10	\$2.81

⁽¹⁾ Includes 1% of expected unfavorable foreign currency fluctuations.

⁽²⁾ For 2013, includes actuarial mark-to-market pension adjustment; for 2014, excludes actuarial mark-to-market pension adjustments to be determined in Q4 2014.

⁽³⁾ Revised to reflect the expected pre-tax charge of \$150 million, or \$0.61 per diluted share, related to the restructuring plan described below.

NCR expects approximately \$200 million of other expense, net including interest expense in 2014 and that its full-year 2014 effective income tax rate will be approximately 26%.

NCR announced a restructuring plan to strategically reallocate resources to position NCR to focus on our highest growth, highest margin opportunities in the software-driven consumer transaction technologies industry. The program is centered on ensuring our people and processes are aligned with our continued transformation and include: rationalizing our product portfolio to eliminate overlap and redundancy; end-of-lifeing older commodity product lines that are costly to maintain and provide little to no return; moving lower productivity services positions to our new

centers of excellence due to the positive impact of services innovation; and reducing layers of management and organizing around divisions to improve decision-making, accountability and strategic execution.

NCR expects to incur a related pre-tax charge in the range of approximately \$150 million to \$200 million that will be included in income from operations, with approximately \$150 million recorded in 2014 and the remainder recorded in 2015. The estimate includes both severance and asset related charges. The cash impact of the restructuring plan is expected to be approximately \$50 million in 2014 and \$50 million in 2015. Annualized savings are expected to reach approximately \$90 million by 2016.

Q3 2014 Outlook

For the third quarter of 2014, the Company expects non-pension operating income (NPOI) to be in the range of \$215 million to \$225 million, compared to \$185 million in the third quarter of 2013 and income from operations to be in the range of \$50 million to \$60 million, compared to \$145 million in the third quarter of 2013. Income from operations includes an estimated pre-tax charge of \$125 million in the third quarter of 2014 related to the restructuring plan described above. NCR expects its third quarter 2014 effective income tax rate to be approximately 28% and other expense, net including interest expense to be approximately \$50 million.

2014 Second Quarter Earnings Conference Call

A conference call is scheduled for today at 4:30 p.m. (EST) to discuss the second quarter results and guidance for third quarter and full-year 2014. Access to the conference call and accompanying slides, as well as a replay of the call, is available on NCR's web site at <http://investor.ncr.com/>. Additionally, the live call can be accessed by dialing 888-245-0932 and entering the participant passcode 2819778.

About NCR Corporation

NCR Corporation (NYSE: NCR) is the global leader in consumer transaction technologies, turning everyday interactions with businesses into exceptional experiences. With its software, hardware, and portfolio of services, NCR enables more than 485 million transactions daily across the financial, retail, hospitality, travel, telecom and technology industries. NCR solutions run the everyday transactions that make your life easier.

NCR is headquartered in Duluth, Georgia with over 29,000 employees and does business in 180 countries. NCR is a trademark of NCR Corporation in the United States and other countries. NCR encourages investors to visit its web site which is updated regularly with financial and other important information about NCR.

Web site: www.ncr.com

Twitter: @NCRCorporation

Facebook: www.facebook.com/ncrcorp

LinkedIn: <http://linkd.in/ncrgroup>

YouTube: www.youtube.com/user/ncrcorporation

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Note to Investors This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements use words such as “expect,” “anticipate,” “outlook,” “intend,” “believe,” “will,” “should,” “would,” “could” and words of similar meaning. Statements that describe or relate to NCR’s future plans, goals, intentions, strategies or financial outlook, and statements that do not relate to historical or current fact, are examples of forward-looking statements. The forward-looking statements in this release include statements about the transformation of NCR and its business; the demand for NCR’s branch transformation and financial services software solutions; NCR’s recently announced restructuring plan and its costs, expected benefits and results; NCR’s anticipated growth; and NCR’s 2014 financial outlook (including in the sections entitled “2014 Outlook” and “Q3 2014 Outlook”). Forward-looking statements are based on our current beliefs, expectations and assumptions, which may not prove to be accurate, and involve a number of known and unknown risks and uncertainties, many of which are out of NCR’s control. Forward-looking statements are not guarantees of future performance, and there are a number of important factors that could cause actual outcomes and results to differ materially from the results contemplated by such forward-looking statements, including those factors relating to: domestic and global economic and credit conditions; the impact of our indebtedness and its terms on our financial and operating activities; our ability to successfully introduce new solutions and compete and in the information technology industry; the transformation of our business model and our ability to sell higher-margin software and services; defects or errors in our products; manufacturing disruptions; the historical seasonality of our sales; foreign currency fluctuations; the availability and success of acquisitions, divestitures and alliances, including the acquisition of Digital Insight; our pension strategy and underfunded pension obligation; the success of our recently announced restructuring plan; tax rates; compliance with data privacy and protection requirements; reliance on third party suppliers; development and protection of intellectual property; workforce turnover and the ability to attract and retain skilled employees; environmental exposures from our historical and ongoing manufacturing activities; and uncertainties with regard to regulations, lawsuits, claims and other matters across various jurisdictions. Additional information concerning these and other factors can be found in the Company’s filings with the U.S. Securities and Exchange Commission, including the Company’s most recent annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. Any forward-looking statement speaks only as of the date on which it is made. The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures While NCR reports its results in accordance with Generally Accepted Accounting Principles in the United States, or GAAP, in this release NCR also uses the non-GAAP measures listed and described below.

Non-Pension Operating Income and Non-GAAP Diluted Earnings Per Share. NCR’s non-pension operating income and non-GAAP diluted earnings per share are determined by excluding pension expense and special items, including amortization of acquisition related intangibles, from NCR’s GAAP income (loss) from operations. Due to the significant change in its pension expense from year to year and the non-operational nature of pension expense and these special items, NCR’s management uses non-pension operating income and non-GAAP diluted earnings per share to evaluate year-over-year operating performance, to manage and determine the effectiveness of its business managers and as a basis for incentive compensation. NCR believes these measures are useful for investors because they provide a more complete understanding of NCR’s underlying operational performance, as well as consistency and comparability with NCR’s past reports of financial results.

Free Cash Flow. NCR defines free cash flow as net cash provided by/used in operating activities and cash flow provided by/used in discontinued operations less capital expenditures for property, plant and equipment, additions to capitalized software, discretionary pension contributions and settlements. NCR’s management uses free cash flow to assess the financial performance of the Company and believes it is useful for investors because it relates the operating cash flow of the Company to the capital that is spent to continue and improve business operations. In particular, free cash flow indicates the amount of cash generated after capital expenditures which can be used for, among other things, investment in the Company’s existing businesses, strategic acquisitions, strengthening the Company’s balance sheet, repurchase of Company stock and repayment of the Company’s debt obligations. Free cash flow does not represent the residual cash flow available for discretionary expenditures since there may be other non-discretionary expenditures that are not deducted from the measure. Free cash flow does not have a uniform definition under GAAP and, therefore, NCR’s definition may differ from other companies’ definitions of this measure.

Revenue Growth on a Constant Currency Basis. NCR’s period-over-period revenue growth on a constant currency basis excludes the effects of foreign currency translation. Due to the variability of foreign exchange rates from period to period, NCR’s management uses revenue on a constant currency basis to evaluate period-over-period operating performance. Revenue growth on a constant currency basis is calculated by translating prior period revenue at current period monthly average exchange rates.

NCR’s definitions and calculations of these non-GAAP measures may differ from similarly-titled measures reported by other companies and cannot, therefore, be compared with similarly-titled measures of other companies. These non-GAAP measures should not be considered as substitutes for, or superior to, results determined in accordance with GAAP. These non-GAAP measures are reconciled to their corresponding GAAP measures elsewhere in this release or in the tables below.

Reconciliation of Diluted Earnings Per Share (GAAP) to Non-GAAP Diluted Earnings Per Share (non-GAAP)

	Q2 2014 Actual	Q2 2013 Actual	2014 Guidance	2013 Actual
Diluted EPS (GAAP)	\$ 0.53	\$ 0.51	\$1.75 - \$1.85	\$ 2.67
Pension (benefit) expense	—	0.03	0.03	(0.34)
Restructuring plan	—	—	0.61	—
Acquisition-related costs	0.03	0.06	0.11	0.21
Acquisition-related amortization of intangibles	0.11	0.07	0.47	0.29
Acquisition-related purchase price adjustments	0.01	0.01	0.02	0.06
OFAC and FCPA Investigations ⁽¹⁾	—	—	0.01	0.01
Japan valuation reserve release	—	—	—	(0.09)
Non- GAAP Diluted EPS	\$ 0.68	\$ 0.68	\$3.00 - \$3.10	\$ 2.81

Reconciliation of Income from Operations (GAAP) to Non-pension Operating Income (non-GAAP)

\$ in millions	Q2 2014 Actual	Q2 2013 Actual	2014 Guidance	2013 Actual	Q3 2014 Guidance	Q3 2013 Actual
Income from Operations (GAAP)	\$ 169	\$ 139	\$580 - \$600	\$ 666	\$50 - \$60	\$ 145
Pension (benefit) expense	2	9	8	(78)	3	5
Restructuring plan	—	—	150	—	125	—
Acquisition-related costs	6	14	33	46	6	14
Acquisition-related amortization of intangibles	30	17	121	65	30	17
Acquisition-related purchase price adjustments	2	3	6	15	1	3
OFAC and FCPA Investigations ⁽¹⁾	1	—	2	3	—	1
Non-pension Operating Income (non-GAAP)	\$ 210	\$ 182	\$900 - \$920	\$ 717	\$215 - \$225	\$ 185

Reconciliation of Revenue Growth (GAAP) to Revenue Growth on a Constant Currency Basis (non-GAAP)

	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Constant Currency Revenue Growth % (non-GAAP)
Total Revenue	8%	(1)%	9%

⁽¹⁾ Estimated expenses for 2014 will be affected by, among other things, the status and progress of these matters. There can be no assurance that the Company will not be subject to fines or other remedial measures as a result of OFAC's, the SEC's or the DOJ's investigations.



NCR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in millions, except per share amounts)

Schedule A

	For the Periods Ended June 30			
	Three Months		Six Months	
	2014	2013	2014	2013
Revenue				
Products	\$ 722	\$ 743	\$ 1,356	\$ 1,410
Services	936	792	1,820	1,535
Total Revenue	1,658	1,535	3,176	2,945
Cost of products	531	550	1,007	1,053
Cost of services	647	559	1,273	1,097
Total gross margin	480	426	896	795
% of Revenue	29.0%	27.8%	28.2%	27.0%
Selling, general and administrative expenses	247	232	492	461
Research and development expenses	64	55	127	110
Income from operations	169	139	277	224
% of Revenue	10.2%	9.1%	8.7%	7.6%
Interest expense	(46)	(26)	(89)	(47)
Other (expense) income, net	(3)	(3)	(10)	(1)
Total other (expense), net	(49)	(29)	(99)	(48)
Income before income taxes and discontinued operations	120	110	178	176
% of Revenue	7.2%	7.2%	5.6%	6.0%
Income tax expense	29	23	33	25
Income from continuing operations	91	87	145	151
Loss from discontinued operations, net of tax	—	—	—	(1)
Net Income	91	87	145	150
Net income attributable to noncontrolling interests	1	1	2	3
Net income attributable to NCR	\$ 90	\$ 86	\$ 143	\$ 147
Amounts attributable to NCR common stockholders:				
Income from continuing operations	\$ 90	\$ 86	\$ 143	\$ 148
Loss from discontinued operations, net of tax	—	—	—	(1)
Net income	\$ 90	\$ 86	\$ 143	\$ 147
Net income per share attributable to NCR common stockholders:				
Net income per common share from continuing operations				
Basic	\$ 0.54	\$ 0.52	\$ 0.85	\$ 0.90
Diluted	\$ 0.53	\$ 0.51	\$ 0.84	\$ 0.88
Net income per common share				
Basic	\$ 0.54	\$ 0.52	\$ 0.85	\$ 0.89
Diluted	\$ 0.53	\$ 0.51	\$ 0.84	\$ 0.87
Weighted average common shares outstanding				
Basic	167.9	165.2	167.5	164.5
Diluted	170.9	168.8	171.0	168.1



NCR CORPORATION
CONSOLIDATED REVENUE AND OPERATING INCOME SUMMARY
(Unaudited)
(in millions)

Schedule B

	For the Periods Ended June 30					
	Three Months			Six Months		
	2014	2013	% Change	2014	2013	% Change
Revenue by segment						
Financial Services	\$ 900	\$ 782	15 %	\$ 1,694	\$ 1,496	13 %
Retail Solutions	503	515	(2)%	993	1,004	(1)%
Hospitality	170	158	8 %	319	289	10 %
Emerging Industries	85	80	6 %	170	156	9 %
Total Revenue	\$ 1,658	\$ 1,535	8 %	\$ 3,176	\$ 2,945	8 %
Operating income by segment						
Financial Services	\$ 137	\$ 95		\$ 240	\$ 152	
% of Revenue	15.2%	12.1%		14.2%	10.2%	
Retail Solutions	48	49		84	90	
% of Revenue	9.5%	9.5%		8.5%	9.0%	
Hospitality	23	27		35	48	
% of Revenue	13.5%	17.1%		11.0%	16.6%	
Emerging Industries	2	11		6	21	
% of Revenue	2.4%	13.8%		3.5%	13.5%	
Subtotal-segment operating income	\$ 210	\$ 182		\$ 365	\$ 311	
% of Revenue	12.7%	11.9%		11.5%	10.6%	
Pension expense	2	9		1	16	
Other adjustments ⁽¹⁾	39	34		87	71	
Total income from operations	\$ 169	\$ 139		\$ 277	\$ 224	

⁽¹⁾ Other adjustments for the three months ended June 30, 2014 include \$30 million of acquisition-related amortization of intangible assets, \$6 million of acquisition-related costs, \$2 million of acquisition-related purchase price adjustments and \$1 million of legal costs related to previously disclosed OFAC and FCPA investigations; other adjustments for the three months ended June 30, 2013 include \$17 million of acquisition-related amortization of intangible assets, \$14 million of acquisition-related costs and \$3 million of acquisition-related purchase price adjustments. Other adjustments for the six months ended June 30, 2014 include \$60 million of acquisition-related amortization of intangible assets, \$20 million of acquisition-related costs, \$5 million of acquisition-related purchase price adjustments and \$2 million of legal costs related to previously disclosed OFAC and FCPA investigations; other adjustments for the six months ended June 30, 2013 include \$31 million of acquisition-related amortization of intangible assets, \$30 million of acquisition-related costs, \$9 million of acquisition-related purchase price adjustments and \$1 million of legal costs related to previously disclosed OFAC and FCPA investigations.



NCR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in millions, except per share amounts)

Schedule C

	June 30, 2014	March 31, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents	\$ 483	\$ 515	\$ 528
Restricted cash	—	—	1,114
Accounts receivable, net	1,464	1,442	1,339
Inventories	816	820	790
Other current assets	627	608	568
Total current assets	3,390	3,385	4,339
Property, plant and equipment, net	402	390	352
Goodwill	2,791	2,789	1,534
Intangibles, net	994	1,024	494
Prepaid pension cost	520	495	478
Deferred income taxes	247	252	441
Other assets	505	493	470
Total assets	\$ 8,849	\$ 8,828	\$ 8,108
Liabilities and stockholders' equity			
Current liabilities			
Short-term borrowings	\$ 83	\$ 64	\$ 34
Accounts payable	678	695	670
Payroll and benefits liabilities	188	183	191
Deferred service revenue and customer deposits	563	587	525
Other current liabilities	464	479	461
Total current liabilities	1,976	2,008	1,881
Long-term debt	3,840	3,885	3,320
Pension and indemnity plan liabilities	529	532	532
Postretirement and postemployment benefits liabilities	169	170	169
Income tax accruals	178	182	189
Environmental liabilities	101	111	121
Other liabilities	87	92	99
Total liabilities	6,880	6,980	6,311
Redeemable noncontrolling interests	15	14	14
Stockholders' equity			
NCR stockholders' equity:			
Preferred stock: par value \$0.01 per share, 100.0 shares authorized, no shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively	—	—	—
Common stock: par value \$0.01 per share, 500.0 shares authorized, 168.0, 167.8 and 166.6 shares issued and outstanding as of June 30, 2014, March 31, 2014 and December 31, 2013, respectively	2	2	2
Paid-in capital	438	426	433
Retained earnings	1,515	1,425	1,372
Accumulated other comprehensive loss	(14)	(33)	(38)
Total NCR stockholders' equity	1,941	1,820	1,769
Noncontrolling interests in subsidiaries	13	14	14
Total stockholders' equity	1,954	1,834	1,783
Total liabilities and stockholders' equity	\$ 8,849	\$ 8,828	\$ 8,108



NCR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in millions)

Schedule D

	For the Periods Ended June 30			
	Three Months		Six Months	
	2014	2013	2014	2013
Operating activities				
Net income	\$ 91	\$ 87	\$ 145	\$ 150
Adjustments to reconcile net income to net cash (used in) provided by operating activities:				
Loss from discontinued operations	—	—	—	1
Depreciation and amortization	73	50	142	97
Stock-based compensation expense	9	12	19	22
Deferred income taxes	7	(1)	10	(10)
Gain on sale of property, plant and equipment and other assets	(1)	(1)	(2)	(5)
Changes in assets and liabilities:				
Receivables	(22)	(76)	(88)	(67)
Inventories	3	22	(27)	(25)
Current payables and accrued expenses	2	2	2	(34)
Deferred service revenue and customer deposits	(24)	(17)	35	56
Employee benefit plans	(38)	(98)	(59)	(132)
Other assets and liabilities	(20)	(12)	(66)	(64)
Net cash provided by (used in) operating activities	80	(32)	111	(11)
Investing activities				
Expenditures for property, plant and equipment	(34)	(20)	(66)	(44)
Proceeds from sales of property, plant and equipment	—	2	—	2
Additions to capitalized software	(39)	(24)	(73)	(45)
Business acquisition, net	—	(15)	(1,642)	(696)
Changes in restricted cash	—	—	1,114	—
Other investing activities, net	8	1	4	6
Net cash used in investing activities	(65)	(56)	(663)	(777)
Financing activities				
Tax withholding payments on behalf of employees	(2)	(2)	(24)	(27)
Short term borrowings, net	3	5	9	6
Payments on term credit facilities	(3)	(17)	(3)	(35)
Borrowings on term credit facilities	—	—	250	—
Payments on revolving credit facility	(195)	(75)	(255)	(495)
Borrowings on revolving credit facility	170	160	570	725
Debt issuance costs	(1)	(1)	(3)	(3)
Proceeds from employee stock plans	2	27	7	45
Other financing activities	(2)	—	(3)	—
Net cash (used in) provided by financing activities	(28)	97	548	216
Cash flows from discontinued operations				
Net cash used in discontinued operations	(22)	(25)	(38)	(24)
Effect of exchange rate changes on cash and cash equivalents	3	(7)	(3)	(13)
Decrease in cash and cash equivalents	(32)	(23)	(45)	(609)
Cash and cash equivalents at beginning of period	515	483	528	1,069
Cash and cash equivalents at end of period	\$ 483	\$ 460	\$ 483	\$ 460

Q2 2014 EARNINGS CONFERENCE CALL

BILL NUTI, CHAIRMAN AND CEO
JOHN BRUNO, EVP
BOB FISHMAN, CFO

July 29, 2014



NOTES TO INVESTORS

FORWARD-LOOKING STATEMENTS. Comments made during this conference call and in these materials contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that describe or relate to NCR's future plans, goals, intentions, strategies or financial outlook, and statements that do not relate to historical or current fact, are examples of forward-looking statements. The forward-looking statements in these materials include statements about the anticipated growth of NCR's software-related revenue (and the components thereof) and operational gross margins, the costs and expected benefits and results of NCR's recently announced restructuring plan, the expected financial and other benefits from the acquisition of Digital Insight, the future growth and transformation of NCR and its lines of business, the expected benefits of NCR's recently announced voluntary lump sum offer to retirees under its U.S. pension plan, NCR's 2014 financial outlook and NCR's goals for 2014. Forward-looking statements are based on our current beliefs, expectations and assumptions, which may not prove to be accurate, and involve a number of known and unknown risks and uncertainties, many of which are out of NCR's control. Forward-looking statements are not guarantees of future performance, and there are a number of important factors that could cause actual outcomes and results to differ materially from the results contemplated by such forward-looking statements, including those factors listed in Item 1a "Risk Factors" of NCR's Annual Report on Form 10-K and those factors detailed from time to time in NCR's other SEC reports. These materials are dated July 29, 2014, and NCR does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

NON-GAAP MEASURES. While NCR reports its results in accordance with generally accepted accounting principles in the United States (GAAP), comments made during this conference call and these materials will include the following "non-GAAP" measures: non-pension operating income (NPOI), non-GAAP diluted earnings per share (non-GAAP diluted EPS), free cash flow (FCF), adjusted free cash flow (adjusted FCF), operational gross margin, operational gross margin rate, expenses (non-GAAP), adjusted EBITDA, effective tax rate, non-GAAP net income and constant currency. These measures are included to provide additional useful information regarding NCR's financial results, and are not a substitute for their comparable GAAP measures. Explanations of these non-GAAP measures and reconciliations of these non-GAAP measures to their directly comparable GAAP measures are included in the accompanying "Supplementary Non-GAAP Materials" and are available on the Investor Relations page of NCR's website at www.ncr.com. Descriptions of many of these non-GAAP measures are also included in NCR's SEC reports.

USE OF CERTAIN TERMS. As used in these materials, the term "software-related revenue" includes software license, software maintenance, software as a service (SaaS) and professional services revenue associated with software delivery, and the term "recurring revenue" means the sum of SaaS, hardware maintenance and software maintenance revenue. Investors are cautioned that in NCR's prior earnings releases and presentation materials, NCR used the term "software revenue," which does not include professional services revenue associated with software delivery. Therefore software revenue in such releases and presentation materials will not be directly comparable to software-related revenue in these materials.

These presentation materials and the associated remarks made during this conference call are integrally related and are intended to be presented and understood together.



Q2 2014 FINANCIAL HIGHLIGHTS

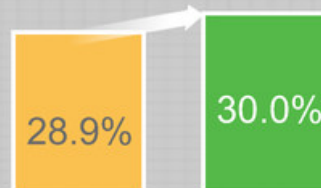
REVENUE



Q2 2013 Q2 2014

Up 8% y/y / Up 9% constant currency
Recurring revenue up 21%, 42% of total

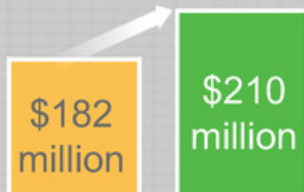
OPERATIONAL GROSS MARGIN



Q2 2013 Q2 2014

All-time high operational gross margin of 30.0%

NPOI



Q2 2013 Q2 2014

Up 15% y/y
All-time high⁽¹⁾ Q2 NPOI margin⁽²⁾ of 12.7%

FREE CASH FLOW



Q2 2013 Q2 2014

Up due to increased net income and improvements in working capital

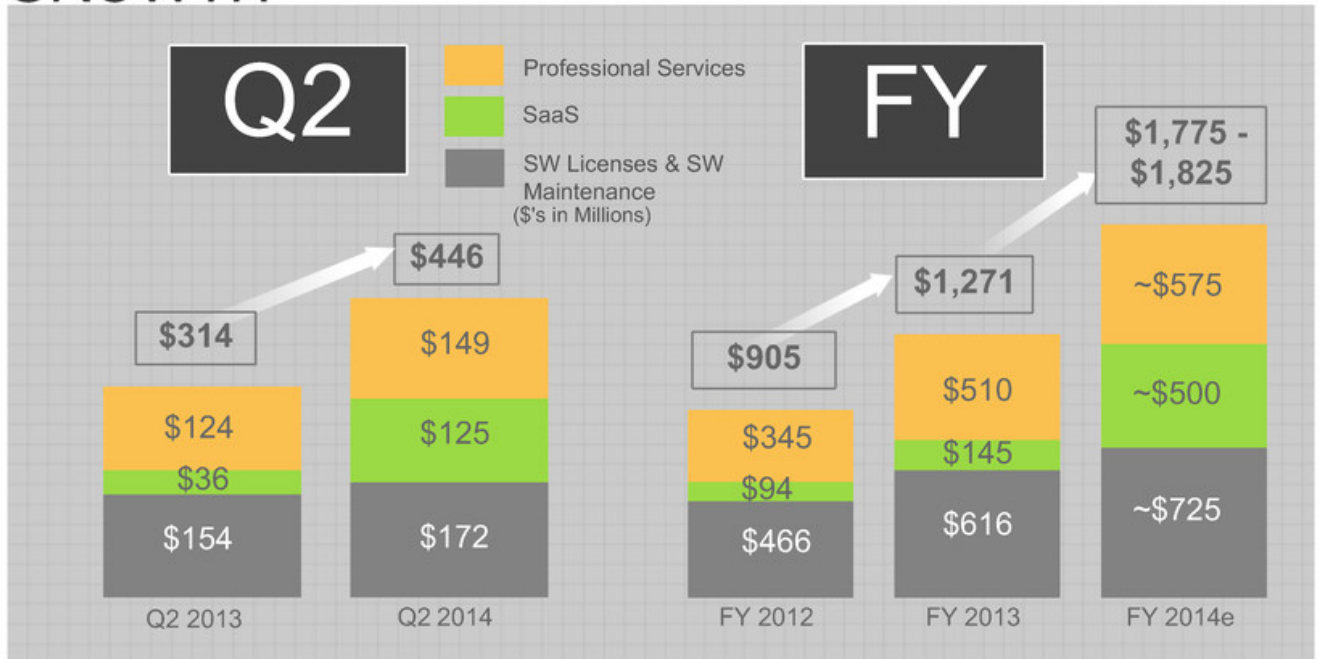
- 18th consecutive quarter of y/y revenue and NPOI growth
- 19th consecutive quarter of meeting or beating EPS consensus estimate
- Record⁽¹⁾ Q2 NPOI & strong improvement in free cash flow generation

⁽¹⁾ Post AT&T Spin-off, excluding Teradata.

⁽²⁾ NPOI as a percentage of revenue.



STRONG SOFTWARE-RELATED REVENUE GROWTH

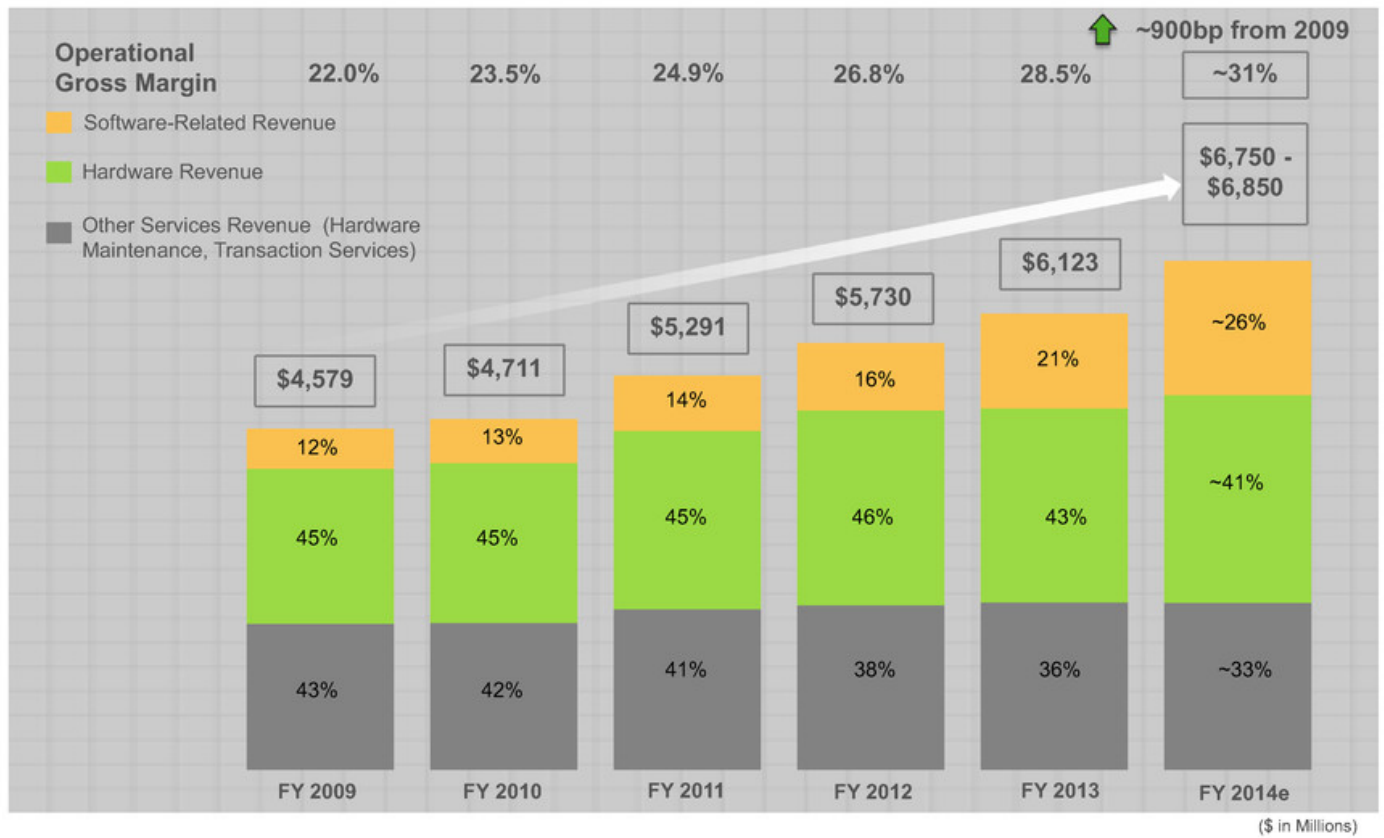


- Q2 Software-related revenues up 42% y/y; up 15% excluding Digital Insight
- Q2 Professional Services revenue up 20% y/y
- Q2 SaaS revenue up 247% y/y; up 17% excluding Digital Insight

- On target to generate ~\$1.8B in software-related revenue in FY2014
- 2014 estimated software-related revenue growth of 40-44%; up ~11-16% y/y excluding Digital Insight



SOFTWARE-RELATED REVENUE POSITIVELY IMPACTING MARGINS



(\$ in Millions)



FINANCIAL SERVICES

Q2 2014 Update



Financial Highlights

Revenue

\$900M ↑ +15% y/y

Operating Income

\$137M ↑ +44% y/y

Operating Margin

15.2% ↑ +310 bps

Performance Highlights

- Excluding Digital Insight, order growth of 14% driven by North America and Europe, small & mid-sized banks, software and Branch Transformation
- Backlog up 17%, due to significant growth in software-related revenue
- Increased operating margin driven by a higher mix of software-related revenue
- Excluding Digital Insight, Q2 core revenue up 4% y/y and operating margin up 140 bps
- Software-related revenue up 106%; up 28% excluding Digital Insight

Key Developments

- Balanced performance globally; Customers added in Americas and Europe (including Russia)
- Strong revenue and order growth in North America
- Branch Transformation solutions generated strong results
 - Branch Transformation y/y orders and revenues up 78% and 46%, respectively
 - 19 new Interactive Services customers; customer wins globally
 - Introduced NCR Interactive Banker: tablet-based teller software synced to advanced kiosks
- Multi-channel banking solutions deployed globally
- Digital Insight winning industry recognition and customers
 - Received 2014 Confiimit ACE Award for its long-term commitment to overall customer satisfaction
 - Continued to cross-sell Digital Insight customers

RETAIL SOLUTIONS

Q2 2014 Update



Financial Highlights

Revenue

\$503M ↓ -2% y/y

Operating Income

\$48M ↓ -2% y/y

Operating Margin

9.5% Flat y/y

Performance Highlights

- Orders up 11% driven by Europe and AMEA offset by challenges in North America
- Backlog up 32%; Rollout of large orders pushing revenue to end of year & 2015
- Q2 revenue and operating income as expected
- Operating margin improved 220 basis points over Q1 2014
- Software-related revenue up 14%; SaaS revenue up 8%

Key Developments

- Strong revenue and order growth in Europe
- Despite weak North American retail market, continue to maintain strong position
- Customer demand for NCR Retail Solutions, inclusive of Retailix, is strong
 - Recent media stories concerning Target are being reported inaccurately
- NCR maintains self-checkout leadership
 - RBR ranks NCR #1 in self-checkout technology with 71% global ship share
- Customer wins for both point of sale and self-checkout solutions
- Expanding retail presence in China
 - Established new business partner, Shanghai Anmao; Already winning business
 - New self-checkout pilot at Rainbow Department Stores, one of the Top 100 Chain Retailers in China

HOSPITALITY

Q2 2014 Update



Financial Highlights

Revenue

\$170M ↑ +8% y/y

Operating Income

\$23M ↓ -15% y/y

Operating Margin

13.5% ↓ -360 bps

Performance Highlights

- Revenue growth across Americas and Europe
- Operating margin lower y/y due to a large software transaction in Q2 2013
- Operating margin improved 540 basis points over Q1 2014
- Software-related revenue down 4%
- SaaS revenue up 16%
- SaaS application sites up 16% y/y

Key Developments

- Expanding presence in key international markets
 - New customers in Mexico, Australia and New Zealand
- Further penetration into North America SMB market
 - 19% revenue growth y/y
 - Broad-based customer wins span multiple customer segments and technologies
 - Launched NCR Silver Pro, a cloud-based POS solution for North American small restaurants; Demonstrates leverage of innovative offerings across different Lines of Business

EMERGING INDUSTRIES

Q2 2014 Update



Financial Highlights

Revenue

\$85M ↑ +6% y/y

Operating Income

\$2M ↓ -\$9M y/y

Operating Margin

2.4% ↓ vs. 13.8% Q2 2013

Performance Highlights

- Telecom & Technology revenue up 22%
- Travel revenue down, minimal impact given size
- Small Business tracking to business plan; gaining momentum
- Operating income negatively impacted by onboarding costs related to managed services contracts and continued investment in Small Business

Key Developments

Telecom & Technology

- Global field services and support agreement with CradlePoint
- Maintenance and deployment services agreement with Easynet, the largest independent network and hosting integrator in Europe

Travel

- Powering air travel innovation worldwide
 - Extended customer self-service check-in capabilities at Dubai International Airport
 - Delivered a record 11M mobile airline boarding passes in June 2014, up 200% y/y

Small Business

- Increased adoption of NCR Silver; Customer base up 32% over Q1 2014 and 276% y/y

Q2 2014 SUMMARY

- Q2 as expected; Strong software/SaaS growth, both with Digital Insight and organically
- Financial Services continues to execute well, both strategically and tactically
 - Strong branch transformation and software growth
 - Orders/ backlog up solidly; both volume and mix
 - Continued strong performance from Digital Insight; positive feedback from customers
- Retail Solutions results as expected
 - Orders/backlog up significantly but slower conversion expected into 2015
 - US market conditions remain under pressure, however maintaining share; rest-of-world continues to be solid
- Progress in Hospitality
 - Margin expansion vs. Q1 2014 was a good sign; tough Y/Y compare
 - Continued significant growth in core Radiant, vs. legacy NCR Hospitality accounts
- Good Y/Y improvement in FCF generation; Y/Y linearity improved, continued focus
- Restructuring will strategically reallocate resources to highest growth, highest margin opportunities and deliver run-rate savings reaching ~\$90M by 2016
- Revenue and non-GAAP guidance reaffirmed for full-year 2014



FINANCIAL PERFORMANCE & GUIDANCE

July 29, 2014



Q2 OPERATIONAL RESULTS

For the three months ended June 30

	2014	2013	% Change
Revenue	\$1,658	\$1,535	8% ⁽¹⁾ / 9% ⁽²⁾
Operational Gross Margin	498	443	12%
Operational Gross Margin Rate	30.0%	28.9%	
Expenses (non-GAAP)	288	261	10%
% of Revenue	17.4%	17.0%	
NPOI	210	182	15%
% of Revenue	12.7%	11.9%	
Non-GAAP Diluted EPS	\$0.68	\$0.68	—%

(1) As reported.

(2) On a constant currency basis.

\$ millions, except per share amounts



Q2 GAAP RESULTS

	For the three months ended June 30		
	2014	2013	% Change
Revenue	\$1,658	\$1,535	8%
Gross Margin	480	426	13%
Gross Margin Rate	29.0%	27.8%	
Expenses	311	287	8%
% of Revenue	18.8%	18.7%	
Income from Operations	169	139	22%
% of Revenue	10.2%	9.1%	
GAAP Diluted EPS	\$0.53	\$0.51	4%

\$ millions, except per share amounts



Q2 REVENUE BY SEGMENT

	For the three months ended June 30			
	2014	2013	% Change	% Change (Constant Currency)
Financial Services	\$900	\$782	15 %	16 %
Excluding Digital Insight	\$813		4 %	5 %
Retail Solutions	503	515	(2)%	(2)%
Hospitality	170	158	8 %	8 %
Emerging Industries	85	80	6 %	6 %
Total Revenue	\$1,658	\$1,535	8 %	9 %
Excluding Digital Insight*	\$1,571		2 %	3 %

\$ millions



Q2 OPERATING INCOME BY SEGMENT

	For the three months ended June 30	
	2014	2013
Financial Services	\$137	\$95
% of Financial Services Revenue	15.2%	12.1%
Retail Solutions	48	49
% of Solutions Revenue	9.5%	9.5%
Hospitality	23	27
% of Hospitality Revenue	13.5%	17.1%
Emerging Industries	2	11
% of Emerging Industries Revenue	2.4%	13.8%
NPOI	\$210	\$182
% of Total Revenue	12.7%	11.9%

\$ millions



Q2 SUPPLEMENTAL REVENUE INFORMATION

	For the three months ended June 30		
	2014	2013	% Change
SaaS	\$125	\$36	247 %
Software License and Software Maintenance	172	154	12 %
Professional Services	149	124	20 %
Total Software-Related Revenue	446	314	42 %
Hardware	637	664	(4)%
Other Services	575	557	3 %
Total Revenue	\$1,658	\$1,535	8 %

\$ millions



FREE CASH FLOW

	Q2 2014	Q2 2013	FY 2014e	FY 2013
Cash Provided by Operating Activities	\$80	(\$32)	\$519 - \$549	\$281
Net capital expenditures	(73)	(44)	(250) - (260)	(226)
Cash Provided by (Used In) Discontinued Operations	(22)	(25)	(45) - (55)	(52)
Pension discretionary contributions and settlements	18	80	46	204
Free Cash Flow (Used) ⁽¹⁾	\$3	(\$21)	~\$250 - \$300	\$207

\$ millions

⁽¹⁾ FY 2014e free cash flow revised for the estimated cash impact of ~\$50 million related to the recently announced restructuring plan.



FREE CASH FLOW GENERATION

		2014e	2013
Free Cash Flow (FCF) ⁽¹⁾		~\$250 - \$300	\$207
plus:	Pension	50	79
plus:	Discontinued Ops	45-55	52
plus:	Acquisition-related costs	25-35	43
plus:	Restructuring plan	50	—
Adjusted FCF		~\$420 - \$490	\$381
Adjusted FCF as a % of non-GAAP net income		~85%	80%

\$ millions, except metrics

⁽¹⁾ FY 2014e free cash flow revised for the estimated cash impact of ~\$50 million related to the recently announced restructuring plan.



NET DEBT & EBITDA METRICS

	2013	Q1 2014	Q2 2014
Debt	\$3.4	\$3.9	\$3.9
Cash	0.5	0.5	0.5
Net Debt	\$2.9	\$3.4	\$3.4
Adjusted EBITDA	\$0.9	\$0.9 ⁽¹⁾	\$1.0 ⁽¹⁾
Net Debt / Adjusted EBITDA	3.2x	3.7x	3.4x

Goal of reducing Net Debt / Adjusted EBITDA to ~3.0x by the end of 2014

⁽¹⁾ Adjusted EBITDA for the trailing twelve-month period.

\$ in billions, except metrics



FY 2014 GUIDANCE

	2014e	2013
Revenue	\$6,750 - \$6,850 ⁽¹⁾	\$6,123
Year-over-Year Revenue Growth	10% - 12% ⁽¹⁾	7%
Income from Operations (GAAP) ^{(2) (4)}	\$580 - \$600	\$666
Non-Pension Operating Income (NPOI)	\$900 - \$920	\$717
Adjusted EBITDA	\$1,085 - \$1,105	\$886
Diluted EPS (GAAP) ^{(2) (4)}	\$1.75 - \$1.85	\$2.67
Non-GAAP Diluted EPS ⁽³⁾	\$3.00 - \$3.10	\$2.81
Free Cash Flow ⁽⁴⁾	\$250 - \$300	\$207

\$ in millions, except per share amounts

(1) Includes 1% of unfavorable foreign currency fluctuations

(2) Income from operations and diluted earnings per share guidance excludes the impact of the actuarial mark to market pension adjustment that will be determined in the fourth quarter of 2014.

(3) 2014 guidance includes expected other expense (income), net (OIE) of \$200M, which incorporates \$185M of interest expense, a 26% tax rate and a share count of 172M. 2013 results include OIE of \$112M, which incorporates \$103M of interest expense, a 22% tax rate and a share count of 169M.

(4) Revised to reflect the estimated pre-tax charge of \$150 million, or \$0.61 per diluted share, and the estimated cash impact of ~\$50 million related to the recently announced restructuring plan.



2014 SEGMENT REVENUE GUIDANCE

Line of Business	2014e	FY 2013
Financial Services	15-17%	\$3,115
Financial Services excluding Digital Insight	4-5%	
Retail	3-5%	\$2,034
Hospitality	8-10%	\$626
Emerging Industries	10-14%	\$348
Total	10-12%	\$6,123

\$ in millions



Q3 2014 GUIDANCE

	Q3 2014e	Q3 2013
Income from Operations (GAAP) ⁽¹⁾	\$50 - \$60	\$145
Non-Pension Operating Income (Non-GAAP)	\$215 - \$225	\$185
Tax rate	28%	18%
Other expense	~\$50	\$26

\$ millions

⁽¹⁾ Q3 2014e income from operations reflects the estimated pre-tax charge of \$125 million related to the recently announced restructuring plan.



SUPPLEMENTARY
NON-GAAP MATERIALS

NON-GAAP MEASURES

While NCR reports its results in accordance with generally accepted accounting principles (GAAP) in the United States, comments made during this conference call and in these materials will include non-GAAP measures. These measures are included to provide additional useful information regarding NCR's financial results, and are not a substitute for their comparable GAAP measures.

NPOI, Non-GAAP Diluted EPS, Operational Gross Margin, Operational Gross Margin Rate, Expenses (non-GAAP), Effective Tax Rate and Non-GAAP Net Income. NCR's non-pension operating income (NPOI), non-GAAP net income and non-GAAP diluted earnings per share (non-GAAP diluted EPS) are determined by excluding pension expense and special items, including amortization of acquisition related intangibles, from NCR's GAAP income (loss) from operations. NCR also determines operational gross margin, operational gross margin rate, expenses (non-GAAP) and effective tax rate (non-GAAP) by excluding pension expense and these special items from its GAAP gross margin, gross margin rate, expenses and effective tax rate. Due to the significant change in its pension expense from year to year and the non-operational nature of pension expense and these special items, NCR's management uses these non-GAAP measures to evaluate year-over-year operating performance. NCR also uses NPOI and non-GAAP diluted EPS to manage and determine the effectiveness of its business managers and as a basis for incentive compensation. NCR believes these measures are useful for investors because they provide a more complete understanding of NCR's underlying operational performance, as well as consistency and comparability with NCR's past reports of financial results.

Free Cash Flow and Adjusted Free Cash Flow. NCR defines free cash flow as net cash provided by/used in operating activities and cash flow provided by/used in discontinued operations less capital expenditures for property, plant and equipment, additions to capitalized software, discretionary pension contributions and settlements. NCR defines adjusted free cash flow as free cash flow plus required pension contributions, cash provided by/used in discontinued operations, and cash flow impact of special items. NCR's management uses free cash flow and adjusted free cash flow to assess the financial performance of the Company and believes they are useful for investors because they relate the operating cash flow of the Company to the capital that is spent to continue and improve business operations. In particular, free cash flow and adjusted free cash flow indicate the amount of cash generated after capital expenditures which can be used for, among other things, investment in the Company's existing businesses, strategic acquisitions, strengthening the Company's balance sheet, repurchase of Company stock and repayment of the Company's debt obligations. Free cash flow and adjusted free cash flow do not represent the residual cash flow available for discretionary expenditures since there may be other nondiscretionary expenditures that are not deducted from the measures. Free cash flow (FCF) and adjusted free cash flow (adjusted FCF) do not have uniform definitions under GAAP and, therefore, NCR's definitions may differ from other companies' definitions of these measures.



GAAP TO NON-GAAP RECONCILIATION

Income from Operations (GAAP) to Non-Pension Operating Income (non-GAAP) and Adjusted EBITDA (non-GAAP)					
	<u>Q2 2014</u> <u>LTM</u>	<u>Q1 2014</u> <u>LTM</u>	<u>FY 2013</u>	<u>FY 2014e</u>	<u>Q3 2014e</u>
in millions					
Income from Operations (GAAP)	\$719	\$689	\$666	\$580 - \$600	\$50 - \$60
Pension Expense (Benefit)	(93)	(86)	(78)	8	3
Restructuring Plan	—	—	—	150	125
Acquisition-Related Amortization of Intangibles	94	81	65	121	30
Acquisition-Related Costs	36	44	46	33	6
Acquisition-Related Purchase Price Adjustment	11	12	15	6	1
OFAC and FCPA Investigations ⁽¹⁾	4	3	3	2	—
Non-Pension Operating Income (non-GAAP)	\$771	\$743	\$717	\$900 - \$920	\$215 - \$225
Depreciation and Amortization	159	149	143	155	
Ongoing Pension Expense	(11)	(12)	(15)	(10)	
Stock Compensation Expense	38	41	41	40	
Adjusted EBITDA	\$957	\$921	\$886	\$1,085 - \$1,105	

⁽¹⁾ Estimated expenses for 2014 will be affected by, among other things, the status and progress of these matters. There can be no assurance that the Company will not be subject to fines or other remedial measures as a result of OFAC's, the SEC's or the DOJ's investigations.

GAAP TO NON-GAAP RECONCILIATION

Q2 2014 QTD

	Q2 QTD 2014 GAAP	Acquisition- related amortization of intangibles	Acquisition- related costs	Acquisition- related purchase price adjustments	OFAC and FCPA Investigations	Pension (expense) benefit	Q2 QTD 2014 non-GAAP
in millions (except per share amounts)							
Product revenue	\$722	\$—	\$—	\$—	\$—	\$—	\$722
Service revenue	936	—	—	—	—	—	936
Total revenue	1,658	—	—	—	—	—	1,658
Cost of products	531	(10)	—	(1)	—	—	520
Cost of services	647	(6)	—	(1)	—	—	640
Gross margin	480	16	—	2	—	—	498
Gross margin rate	29.0%	1.0%	—%	0.1%	—%	—%	30.0%
Selling, general and administrative expenses	247	(14)	(6)	—	(1)	(1)	225
Research and development expenses	64	—	—	—	—	(1)	63
Total expenses	311	(14)	(6)	—	(1)	(2)	288
<i>Total expense as a % of revenue</i>	<i>18.8%</i>	<i>(0.8)%</i>	<i>(0.4)%</i>	<i>—%</i>	<i>(0.1)%</i>	<i>(0.1)%</i>	<i>17.4%</i>
Income (loss) from operations	169	30	6	2	1	2	210
<i>Income (loss) from operations as a % of revenue</i>	<i>10.2%</i>	<i>1.8%</i>	<i>0.4%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>12.7%</i>
Interest and Other (expense) income, net	(49)	—	—	—	—	—	(49)
Income (loss) from continuing operations before income taxes	120	30	6	2	1	2	161
Income tax expense (benefit)	29	10	1	—	1	2	43
<i>Effective tax rate</i>	<i>24%</i>						<i>27%</i>
Income (loss) from continuing operations	91	20	5	2	—	—	118
Net income (loss) attributable to noncontrolling interests	1	—	—	—	—	—	1
Income (loss) from continuing operations (attributable to NCR)	\$90	\$20	\$5	\$2	\$—	\$—	\$117
Diluted earnings per share	\$0.53	\$0.11	\$0.03	\$0.01	\$—	\$—	\$0.68

GAAP TO NON-GAAP RECONCILIATION

Q2 2013 QTD

	Q2 QTD 2013 GAAP	Acquisition- related amortization of intangibles	Acquisition- related costs	Acquisition- related purchase price adjustments	OFAC and FCPA Investigations	Pension (expense) benefit	Q2 QTD 2013 non-GAAP
in millions (except per share amounts)							
Product revenue	\$743	—	—	—	—	—	\$743
Service revenue	792	—	—	—	—	—	792
Total revenue	1,535	—	—	—	—	—	1,535
Cost of products	550	(9)	—	—	—	—	541
Cost of services	559	—	—	(3)	—	(5)	551
Gross margin	426	9	—	3	—	5	443
Gross margin rate	27.8%	0.6%	—%	0.2%	—%	0.3%	28.9%
Selling, general and administrative expenses	232	(8)	(14)	—	—	(3)	207
Research and development expenses	55	—	—	—	—	(1)	54
Total expenses	287	(8)	(14)	—	—	(4)	261
<i>Total expense as a % of revenue</i>	<i>18.7%</i>	<i>(0.5)%</i>	<i>(0.9)%</i>	<i>—%</i>	<i>—%</i>	<i>(0.3)%</i>	<i>17.0%</i>
Income (loss) from operations	139	17	14	3	—	9	182
<i>Income (loss) from operations as a % of revenue</i>	<i>9.1%</i>	<i>1.1%</i>	<i>0.9%</i>	<i>0.2%</i>	<i>—%</i>	<i>0.6%</i>	<i>11.9%</i>
Interest and Other (expense) income, net	(29)	—	—	—	—	—	(29)
Income (loss) from continuing operations before income taxes	110	17	14	3	—	9	153
Income tax expense (benefit)	23	6	4	1	—	4	38
<i>Effective tax rate</i>	<i>21%</i>						<i>25%</i>
Income (loss) from continuing operations	87	11	10	2	—	5	115
Net income (loss) attributable to noncontrolling interests	1	—	—	—	—	—	1
Income (loss) from continuing operations (attributable to NCR)	\$86	\$11	\$10	\$2	\$—	\$5	\$114
Diluted earnings per share	\$0.51	\$0.07	\$0.06	\$0.01	\$—	\$0.03	\$0.68

GAAP TO NON-GAAP RECONCILIATION

Q2 2014 YTD

	Q2 YTD 2014 GAAP	Acquisition- related amortization of intangibles	Acquisition- related costs	Acquisition- related purchase price adjustments	OFAC and FCPA Investigations	Pension (expense) benefit	Q2 YTD 2014 non-GAAP
in millions (except per share amounts)							
Product revenue	\$1,356	—	—	—	—	—	\$1,356
Service revenue	1,820	—	—	—	—	—	1,820
Total revenue	3,176	—	—	—	—	—	3,176
Cost of products	1,007	(20)	—	(3)	—	—	984
Cost of services	1,273	(12)	—	(2)	—	1	1,260
Gross margin	896	32	—	5	—	(1)	932
Gross margin rate	28.2%	1%	—%	0.2%	—%	—%	29.3%
Selling, general and administrative expenses	492	(28)	(20)	—	(2)	(1)	441
Research and development expenses	127	—	—	—	—	(1)	126
Total expenses	619	(28)	(20)	—	(2)	(2)	567
<i>Total expense as a % of revenue</i>	<i>19.5%</i>	<i>(0.9)%</i>	<i>(0.6)%</i>	<i>—%</i>	<i>(0.1)%</i>	<i>(0.1)%</i>	<i>17.9%</i>
Income (loss) from operations	277	60	20	5	2	1	365
<i>Income (loss) from operations as a % of revenue</i>	<i>8.7%</i>	<i>1.9%</i>	<i>0.6%</i>	<i>0.2%</i>	<i>0.1%</i>	<i>—%</i>	<i>11.5%</i>
Interest and Other (expense) income, net	(99)	—	—	—	—	—	(99)
Income (loss) from continuing operations before income taxes	178	60	20	5	2	1	266
Income tax expense (benefit)	33	20	5	1	1	1	61
<i>Effective tax rate</i>	<i>19%</i>						<i>23%</i>
Income (loss) from continuing operations	145	40	15	4	1	—	205
Net income (loss) attributable to noncontrolling interests	2	—	—	—	—	—	2
Income (loss) from continuing operations (attributable to NCR)	\$143	\$40	\$15	\$4	\$1	\$—	\$203
Diluted earnings per share	\$0.84	\$0.23	\$0.09	\$0.02	\$0.01	\$—	\$1.19

GAAP TO NON-GAAP RECONCILIATION

Q2 2013 YTD

	Q2 YTD 2013 GAAP	Acquisition- related amortization of intangibles	Acquisition- related costs	Acquisition- related purchase price adjustments	OFAC and FCPA Investigations	Pension (expense) benefit	Q2 YTD 2013 non-GAAP
in millions (except per share amounts)							
Product revenue	\$1,410	—	—	—	—	—	\$1,410
Service revenue	1,535	—	—	—	—	—	1,535
Total revenue	2,945	—	—	—	—	—	2,945
Cost of products	1,053	(17)	—	—	—	—	1,036
Cost of services	1,097	—	—	(9)	—	(9)	1,079
Gross margin	795	17	—	9	—	9	830
Gross margin rate	27.0%	0.6%	—%	0.3%	—%	0.3%	28.2%
Selling, general and administrative expenses	461	(14)	(30)	—	(1)	(5)	411
Research and development expenses	110	—	—	—	—	(2)	108
Total expenses	571	(14)	(30)	—	(1)	(7)	519
<i>Total expense as a % of revenue</i>	<i>19.4%</i>	<i>(0.5)%</i>	<i>(1.0)%</i>	<i>—%</i>	<i>—%</i>	<i>(0.3)%</i>	<i>17.6%</i>
Income (loss) from operations	224	31	30	9	1	16	311
<i>Income (loss) from operations as a % of revenue</i>	<i>7.6%</i>	<i>1.1%</i>	<i>1.1%</i>	<i>0.3%</i>	<i>—%</i>	<i>0.5%</i>	<i>10.6%</i>
Interest and Other (expense) income, net	(48)	—	—	—	—	—	(48)
Income (loss) from continuing operations before income taxes	176	31	30	9	1	16	263
Income tax expense (benefit)	25	11	10	3	—	7	56
<i>Effective tax rate</i>	<i>14%</i>						<i>21%</i>
Income (loss) from continuing operations	151	20	20	6	1	9	207
Net income (loss) attributable to noncontrolling interests	3	—	—	—	—	—	3
Income (loss) from continuing operations (attributable to NCR)	\$148	\$20	\$20	\$6	\$1	\$9	\$204
Diluted earnings per share	\$0.88	\$0.12	\$0.12	\$0.03	\$0.01	\$0.05	\$1.21

GAAP TO NON-GAAP RECONCILIATION

Q3 2013 QTD

	Q3 QTD 2013 GAAP	Acquisition- related amortization of intangibles	Acquisition- related costs	Acquisition- related purchase price adjustments	OFAC and FCPA Investigations	Pension (expense) benefit	Q3 QTD 2013 non-GAAP
in millions (except per share amounts)							
Product revenue	\$701	—	—	—	—	—	\$701
Service revenue	807	—	—	—	—	—	807
Total revenue	1,508	—	—	—	—	—	1,508
Cost of products	524	(10)	—	—	—	—	514
Cost of services	569	—	—	(3)	—	(3)	563
Gross margin	415	10	—	3	—	3	431
Gross margin rate	27.5%	0.7%	—%	0.2%	—%	0.2%	28.6%
Selling, general and administrative expenses	217	(7)	(14)	—	(1)	(1)	194
Research and development expenses	53	—	—	—	—	(1)	52
Total expenses	270	(7)	(14)	—	(1)	(2)	246
<i>Total expense as a % of revenue</i>	<i>17.9%</i>	<i>(0.5)%</i>	<i>(0.9)%</i>	<i>—%</i>	<i>(0.1)%</i>	<i>(0.1)%</i>	<i>16.3%</i>
Income (loss) from operations	145	17	14	3	1	5	185
<i>Income (loss) from operations as a % of revenue</i>	<i>9.6%</i>	<i>1.1%</i>	<i>1.0%</i>	<i>0.2%</i>	<i>0.1%</i>	<i>0.3%</i>	<i>12.3%</i>
Interest and Other (expense) income, net	(26)	—	—	—	—	—	(26)
Income (loss) from continuing operations before income taxes	119	17	14	3	1	5	159
Income tax expense (benefit)	19	1	4	1	1	2	28
<i>Effective tax rate</i>	<i>16%</i>						<i>18%</i>
Income (loss) from continuing operations	100	16	10	2	—	3	131
Net income (loss) attributable to noncontrolling interests	2	—	—	—	—	—	2
Income (loss) from continuing operations (attributable to NCR)	\$98	\$16	\$10	\$2	\$—	\$3	\$129
Diluted earnings per share	\$0.58	\$0.09	\$0.06	\$0.01	\$—	\$0.02	\$0.76

GAAP TO NON-GAAP RECONCILIATION

Q4 2013 YTD

in millions (except per share amounts)

	Q4 YTD 2013 GAAP	Acquisition- related amorti- zation □ of intangibles	Acquisition- related costs	Acquisition- related □ purchase price adjustments	OFAC and FCPA Investigations	Japan valuation reserve release	Pension (expense) benefit	Q4 YTD 2013 □ non-GAAP
Product revenue	\$2,912	—	—	—	—	—	—	\$2,912
Service revenue	3,211	—	—	—	—	—	—	3,211
Total revenue	6,123	—	—	—	—	—	—	6,123
Cost of products	2,152	(36)	—	(1)	—	—	2	2,117
Cost of services	2,231	—	—	(14)	—	—	44	2,261
Gross margin	1,740	36	—	15	—	—	(46)	1,745
Gross margin rate	28.4%	0.6%	—%	0.2%	—%	—%	-0.7%	28.5%
Selling, general and administrative expenses	871	(29)	(46)	—	(3)	—	22	815
Research and development expenses	203	—	—	—	—	—	10	213
Total expenses	1,074	(29)	(46)	—	(3)	—	32	1,028
<i>Total expense as a % of revenue</i>	<i>17.5%</i>	<i>(0.5)%</i>	<i>(0.7)%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>0.5%</i>	<i>16.8%</i>
Income (loss) from operations	666	65	46	15	3	—	(78)	717
<i>Income (loss) from operations as a % of revenue</i>	<i>10.9%</i>	<i>1.1%</i>	<i>0.8%</i>	<i>0.2%</i>	<i>—%</i>	<i>—%</i>	<i>-1.3%</i>	<i>11.7%</i>
Interest and Other (expense) income, net	(112)	—	6	—	—	—	—	(106)
Income (loss) from continuing operations before income taxes	554	65	52	15	3	—	(78)	611
Income tax expense (benefit)	98	17	16	5	1	15	(20)	132
<i>Effective tax rate</i>	<i>18%</i>							<i>22%</i>
Income (loss) from continuing operations	456	48	36	10	2	(15)	(58)	479
Net income (loss) attributable to noncontrolling interests	4	—	—	—	—	—	—	4
Income (loss) from continuing operations (attributable to NCR)	\$452	\$48	\$36	\$10	\$2	(\$15)	(\$58)	\$475
Diluted earnings per share	\$2.67	\$0.29	\$0.21	\$0.06	\$0.01	(\$0.09)	(\$0.34)	\$2.81

GAAP TO NON-GAAP RECONCILIATION

Diluted Earnings per Share (GAAP) to Non-GAAP Diluted Earnings per Share (non-GAAP)

FY 2014e

Diluted EPS (GAAP)	\$1.75 - \$1.85
Pension Expense (Benefit)	0.03
Restructuring Plan	0.61
Acquisition-Related Costs	0.11
Acquisition-Related Amortization of Intangibles	0.47
Acquisition-Related Purchase Price Adjustment	0.02
OFAC and FCPA Investigations ⁽¹⁾	0.01
Non-GAAP Diluted EPS	\$3.00 - \$3.10

⁽¹⁾ Estimated expenses for 2014 will be affected by, among other things, the status and progress of these matters. There can be no assurance that the Company will not be subject to fines or other remedial measures as a result of OFAC's, the SEC's or the DOJ's investigations.



GAAP TO NON-GAAP RECONCILIATIONS

Gross Margin as a % of Revenue (GAAP) to Operational Gross Margin Rate (non-GAAP)

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Gross Margin as a % of Revenue (GAAP)	22%	22.9%	18.0%	28.7%	28.4%
Pension expense (benefit)	(0.5)%	0.6%	6.8%	(2.2)%	(0.7)%
Impairment of assets related to an equity investment	0.5%	-	-	-	-
Acquisition-related purchase price adjustments	-	-	-	-	0.2%
Acquisition-related amortization of intangibles	-	-	0.1%	0.3%	0.6%
Operational Gross Margin Rate (non-GAAP)	22.0%	23.5%	24.9%	26.8%	28.5%

