

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): February 10, 2015



**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 February 10, 2015, the Company issued a press release setting forth its fourth quarter 2014 financial results along with its fiscal year 2015 financial outlook and its first quarter 2015 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 February 10, 2015, the Company will hold its previously announced conference call to discuss its fourth quarter 2014 results, its fiscal year 2015 financial outlook and its first quarter 2015 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 February 10, 2015
99.2	Supplemental materials, dated February 10, 2015

## 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: February 10, 2015

**Index to Exhibits**

The following exhibits are 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 February 10, 2015
99.2	Supplemental materials, dated February 10, 2015



February 10, 2015

**NCR Announces Fourth Quarter 2014 Results**

- Revenue increased 6% to \$1.77 billion, up 11% constant currency; 32% growth in software-related revenue to \$477 million, including 231% growth in cloud revenue to \$129 million
- Non-pension operating income (NPOI) increased 14% to \$251 million; GAAP income from operations decreased 88% to \$35 million, primarily related to restructuring and pension expense
- Non-GAAP diluted EPS of \$0.88 versus \$0.83 in prior year; GAAP diluted EPS of \$0.22, lower than prior year by \$0.99, primarily due to restructuring and pension expense
- Q4 and FY free cash flow of \$229 million and \$313 million; Q4 and FY GAAP net cash provided by operating activities of \$289 million and \$524 million
- 2015 full year guidance announced

DULUTH, Georgia - NCR Corporation (NYSE: NCR) reported financial results today for the three months ended December 31, 2014.

"Our fourth quarter and full year results were in-line with our revised expectations," said Chairman and CEO Bill Nuti. "Financial Services finished 2014 with a solid quarter, as global demand for our branch transformation solutions and the impact of Digital Insight drove results. While 2014 had its challenges, particularly in Retail Solutions, we made great progress this year continuing to transform NCR, including progress in executing our software and cloud strategy and ongoing success addressing legacy issues. We also remain positioned at the forefront of consumer transaction technologies across our markets. Looking ahead, we are excited about 2015 and the opportunities for NCR. Our focus is on driving improved execution, with an emphasis on our sales and services organizations, as well as taking the next steps in our reinvention. We will continue to deliver innovative solutions to our customers that help drive their success and make running their businesses easier."

**Q4 Financial Summary**

\$ in millions, except per share amounts	Fourth Quarter		
	2014	2013	Change
Revenue	\$1,768	\$1,670	6% *
Income from operations **	\$35	\$297	(88)%
Non-pension operating income (NPOI)	\$251	\$221	14%
Diluted earnings per share ***	\$0.22	\$1.21	(82)%
Non-GAAP diluted earnings per share	\$0.88	\$0.83	6%

\* Revenue growth of 11% on a constant currency basis.

\*\* Income from operations in the fourth quarter of 2014 includes a \$33 million charge related to the ongoing restructuring plan and pension expense of \$150 million primarily due to a non-cash, mark-to-market charge related to an update in the U.S. mortality table. Income from operations in the fourth quarter of 2013 includes \$99 million of pension benefit.

\*\*\* Diluted earnings per share in the fourth quarter of 2014 includes \$0.10 related to the ongoing restructuring plan and \$0.43 related to pension expense. Diluted earnings per share in the fourth quarter of 2013 includes \$0.41 related to pension benefit.

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 most directly comparable GAAP measures elsewhere in this release.

## Q4 Supplemental Revenue Information

\$ in millions	Fourth Quarter		
	2014	2013	Change
Cloud *	\$ 129	\$ 39	231%
Software License/Software Maintenance	189	171	11%
Professional Services	159	152	5%
Total Software-Related Revenue	477	362	32%
Hardware	714	715	—%
Other Services	577	593	(3%)
Total Revenue	<u>\$ 1,768</u>	<u>\$ 1,670</u>	6%

\* Referred to as Software-as-a-Service or SaaS in prior Company earnings releases.

Software-related revenue increased 32% in the fourth quarter, including 231% growth in cloud revenues. Excluding the contribution of Digital Insight, software-related revenue increased 8% and cloud revenue increased 15%.

## Q4 Operating Segment Results

\$ in millions	Fourth Quarter			% Change Constant Currency
	2014	2013	% Change	
<b>Revenue by segment</b>				
Financial Services	\$ 968	\$ 852	14%	20%
Retail Solutions	526	536	(2)%	2%
Hospitality	172	176	(2)%	(1)%
Emerging Industries	102	106	(4)%	(1)%
<b>Total Revenue</b>	<u>\$ 1,768</u>	<u>\$ 1,670</u>	6%	11%
<b>Operating income by segment</b>				
Financial Services	\$ 159	\$ 111		
% of Financial Services Revenue	16.4%	13.0%		
Retail Solutions	47	65		
% of Retail Solutions Revenue	8.9%	12.1%		
Hospitality	29	26		
% of Hospitality Revenue	16.9%	14.8%		
Emerging Industries	16	19		
% of Emerging Industries Revenue	15.7%	17.9%		
<b>Segment operating income</b>	<u>\$ 251</u>	<u>\$ 221</u>		
% of Total Revenue	14.2%	13.2%		

Revenue increased 6% compared to the prior year led by solid growth in Financial Services where branch transformation revenues continued to increase and Digital Insight contributed \$93 million in the fourth quarter of 2014. Retail Solutions was lower than the prior year as we continued to face redirected information technology spending and delayed customer rollouts. Hospitality was lower due to decreased spend by certain global quick-service restaurants. Emerging Industries was lower due to the impact of the travel business. Foreign currency fluctuations negatively impacted total revenue by 5%.

Segment operating income increased 14% 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 Q3 2014. Hospitality operating income was higher than the prior year due to a favorable mix of revenue. Emerging Industries operating income was negatively impacted by costs associated with managed services contracts and continued investment in Small Business.

### Free Cash Flow

\$ in millions	Fourth Quarter		Full Year	
	2014	2013	2014	2013
<b>Net cash provided by operating activities</b>	\$ 289	\$ 265	\$ 524	\$ 281
Total capital expenditures	(61)	(71)	(258)	(226)
Net cash provided by (used in) discontinued operations	(29)	(1)	(1)	(52)
Pension discretionary contributions and settlements	30	124	48	204
<b>Free cash flow</b>	<b>\$ 229</b>	<b>\$ 317</b>	<b>\$ 313</b>	<b>\$ 207</b>

Free cash flow decreased in the fourth quarter of 2014 as compared to the fourth quarter of 2013 mainly due to changes in working capital and the timing of cash outflows related to discontinued operations. Free cash flow improved in quarterly linearity in 2014 as compared to 2013 and increased mainly due to working capital improvements and recoveries related to the Fox River environmental matter.

### 2015 Outlook

The 2015 revenue guidance is expected to be roughly flat on an as-reported basis, and up 4% to 6% on a constant currency basis. We expect revenue growth to be driven by higher value solutions in Financial Services, Retail Solutions and Hospitality. NPOI is expected to be between \$830 million and \$870 million, primarily due to continued improvements in the software mix across the businesses and the benefit of the restructuring plan, partially offset by approximately \$50 million of unfavorable foreign currency impacts. Non-GAAP diluted EPS is expected to be approximately \$2.60 to \$2.80, due to higher NPOI offset by approximately \$0.20 per share of unfavorable foreign currency impacts and a higher effective income tax rate. We expect free cash flow of \$325 million to \$375 million, which includes restructuring spending of approximately \$70 million to \$85 million.

\$ in millions, except per share amounts	2015 Guidance		2014 Actual
Revenue	\$6,525 - \$6,675	(1)	\$6,591
Year-over-year revenue growth	(1%) to 1%	(1)	8%
Constant currency revenue growth	4% to 6%		10%
Income from operations (GAAP)	\$625 - \$690	(2)	\$353 (2)
Non-pension operating income (NPOI)	\$830 - \$870		\$820
Diluted earnings per share (GAAP)	\$1.80 - \$2.10	(2)	\$1.06 (2)
Non-GAAP Diluted EPS	\$2.60 - \$2.80	(3)	\$2.74
Net cash provided by operating activities	\$595 - \$625		\$524
Free cash flow	\$325 - \$375		\$313

(1) Includes 5% of expected unfavorable foreign currency fluctuations.

(2) For 2014, actuarial mark-to-market pension adjustment included; for 2015, actuarial mark-to-market pension adjustments to be determined in Q4 2015 excluded. The impact of the transfer of the UK London pension plan to an insurer expected to occur in 2015 or early 2016 is excluded from the 2015 guidance. The UK London pension plan was approximately \$420 million overfunded as of December 31, 2014.

(3) NCR expects approximately \$215 million to \$220 million of other expense, net including interest expense in 2015 and that its full-year 2015 effective income tax rate will be approximately 25% compared to 22% in 2014.

Related to the ongoing restructuring plan, NCR expects to incur a pre-tax charge of approximately \$200 million to \$225 million that will be included in income from continuing operations, with \$163 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 \$100 million to \$115 million, with \$29 million incurred in 2014 and the remainder in 2015. Savings are expected to be approximately \$70 million in 2015 and \$105 million in 2016, with about 50% of the savings benefiting NPOI.

### **Q1 2015 Outlook**

For the first quarter of 2015, the Company expects non-pension operating income (NPOI) to be in the range of \$140 million to \$150 million, compared to \$155 million in the first quarter of 2014, and income from operations to be in the range of \$90 million to \$100 million, compared to \$108 million in the first quarter of 2014. NCR expects its first quarter 2015 effective income tax rate to be approximately 23% and other expense, net including interest expense to be approximately \$55 million.

### **2014 Fourth Quarter Earnings Conference Call**

A conference call is scheduled for today at 4:30 p.m. (EST) to discuss the fourth quarter 2014 results and guidance for first quarter and full-year 2015. Access to the conference call and accompanying slides, as well as a replay of the call, are available on NCR's web site at <http://investor.ncr.com/>. Additionally, the live call can be accessed by dialing 888-710-4011 and entering the participant passcode 6260857.

More information on NCR's Q4 2014 earnings, including additional financial information and analysis, is available on NCR's Investor Relations website at <http://investor.ncr.com/>.

### **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 nearly 550 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 30,000 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](http://www.ncr.com)

Twitter: @NCRCorporation

Facebook: [www.facebook.com/ncrcorp](http://www.facebook.com/ncrcorp)

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

YouTube: [www.youtube.com/user/ncrcorporation](http://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 expected trends, and market and economic conditions affecting NCR and its business; the reinvention of NCR’s business and expectations for NCR’s growth; ongoing success addressing legacy issues and improved execution; NCR’s ongoing restructuring plan and its costs, expected benefits and results; the impact of actions related to NCR’s pension plans; and NCR’s 2015 financial outlook (including in the sections entitled “2015 Outlook” and “Q1 2015 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 including, in particular, market conditions in the retail industry; the impact of our indebtedness and its terms on our financial and operating activities; our ability to successfully introduce new solutions and compete in the information technology industry; the transformation of our business model and our ability to sell higher-margin software and services; our ability to improve execution in our sales and services organizations; 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 ongoing 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 nondiscretionary 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 most directly comparable GAAP measures in the tables below or, in the case of free cash flow, in the body of this release.

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

	Q4 2014 Actual	Q4 2013 Actual	2015 Guidance	2014 Actual
<b>Diluted EPS (GAAP)</b>	<b>\$ 0.22</b>	<b>\$ 1.21</b>	<b>\$1.80 - \$2.10</b>	<b>\$ 1.06</b>
Pension (benefit) expense	0.43	(0.41)	0.01	0.38
Restructuring plan	0.10	—	0.18 - 0.28	0.68
Acquisition-related costs	0.01	0.03	0.04	0.12
Acquisition-related amortization of intangibles	0.11	0.07	0.47	0.47
Acquisition-related purchase price adjustments	—	0.01	—	0.02
OFAC and FCPA Investigations <sup>(1)</sup>	0.01	0.01	—	0.01
Japan valuation reserve release	—	(0.09)	—	—
<b>Non- GAAP Diluted EPS</b>	<b>\$ 0.88</b>	<b>\$ 0.83</b>	<b>\$2.60 - \$2.80</b>	<b>\$ 2.74</b>

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

\$ in millions	Q4 2014 Actual	Q4 2013 Actual	2015 Guidance	2014 Actual	Q1 2015 Guidance	Q1 2014 Actual
<b>Income from Operations (GAAP)</b>	<b>\$ 35</b>	<b>\$ 297</b>	<b>\$625 - \$690</b>	<b>\$ 353</b>	<b>\$90 - \$100</b>	<b>\$ 108</b>
Pension (benefit) expense	150	(99)	4	152	1	(1)
Restructuring plan	33	—	39 - 64	160	15	—
Acquisition-related costs	2	2	10	27	2	14
Acquisition-related amortization of intangibles	30	17	127	119	32	30
Acquisition-related purchase price adjustments	—	3	—	6	—	3
OFAC and FCPA Investigations <sup>(1)</sup>	1	1	—	3	—	1
<b>Non-pension Operating Income (non-GAAP)</b>	<b>\$ 251</b>	<b>\$ 221</b>	<b>\$830 - \$870</b>	<b>\$ 820</b>	<b>\$140 - \$150</b>	<b>\$ 155</b>

**Reconciliation of Net Cash Provided by Operating Activities (GAAP) to Free Cash Flow (non-GAAP)**

\$ in millions	2015 Guidance
<b>Net cash provided by operating activities</b>	<b>\$595 - \$625</b>
Total capital expenditures	(215) - (235)
Net cash provided by (used in) discontinued operations	(35)
Pension discretionary contributions and settlements	—
<b>Free cash flow</b>	<b>\$325 - \$375</b>

**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)
Financial Services	14%	(6)%	20%
Retail Solutions	(2)%	(4)%	2%
Hospitality	(2)%	(1)%	(1)%
Emerging Industries	(4)%	(3)%	(1)%
Total Revenue	6%	(5)%	11%

<sup>(1)</sup> Estimated expenses for 2015 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**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(in millions, except per share amounts)

Schedule A

	For the Periods Ended December 31			
	Three Months		Twelve Months	
	2014	2013	2014	2013
<b>Revenue</b>				
Products	\$ 815	\$ 801	\$ 2,892	\$ 2,912
Services	953	869	3,699	3,211
<b>Total Revenue</b>	<b>1,768</b>	<b>1,670</b>	<b>6,591</b>	<b>6,123</b>
Cost of products	599	575	2,153	2,152
Cost of services	737	565	2,706	2,231
<b>Total gross margin</b>	<b>432</b>	<b>530</b>	<b>1,732</b>	<b>1,740</b>
% of Revenue	24.4 %	31.7%	26.3%	28.4%
Selling, general and administrative expenses	288	193	1,012	871
Research and development expenses	77	40	263	203
Restructuring-related charges	32	—	104	—
<b>Income from operations</b>	<b>35</b>	<b>297</b>	<b>353</b>	<b>666</b>
% of Revenue	2.0 %	17.8%	5.4%	10.9%
Interest expense	(46)	(33)	(181)	(103)
Other (expense) income, net	(11)	(5)	(35)	(9)
Total other (expense), net	(57)	(38)	(216)	(112)
<b>(Loss) income before income taxes and discontinued operations</b>	<b>(22)</b>	<b>259</b>	<b>137</b>	<b>554</b>
% of Revenue	(1.2)%	15.5%	2.1%	9.0%
Income tax (benefit) expense	(62)	54	(48)	98
<b>Income from continuing operations</b>	<b>40</b>	<b>205</b>	<b>185</b>	<b>456</b>
(Loss) income from discontinued operations, net of tax	(5)	(8)	10	(9)
<b>Net Income</b>	<b>35</b>	<b>197</b>	<b>195</b>	<b>447</b>
Net income (loss) attributable to noncontrolling interests	2	(1)	4	4
<b>Net income attributable to NCR</b>	<b>\$ 33</b>	<b>\$ 198</b>	<b>\$ 191</b>	<b>\$ 443</b>
<b>Amounts attributable to NCR common stockholders:</b>				
Income from continuing operations	\$ 38	\$ 206	\$ 181	\$ 452
(Loss) income from discontinued operations, net of tax	(5)	(8)	10	(9)
Net income	<b>\$ 33</b>	<b>\$ 198</b>	<b>\$ 191</b>	<b>\$ 443</b>
<b>Net income per share attributable to NCR common stockholders:</b>				
<b>Net income per common share from continuing operations</b>				
Basic	\$ 0.23	\$ 1.24	\$ 1.08	\$ 2.73
Diluted	\$ 0.22	\$ 1.21	\$ 1.06	\$ 2.67
<b>Net income per common share</b>				
Basic	\$ 0.20	\$ 1.19	\$ 1.14	\$ 2.68
Diluted	\$ 0.19	\$ 1.16	\$ 1.12	\$ 2.62
<b>Weighted average common shares outstanding</b>				
Basic	168.5	166.5	167.9	165.4
Diluted	171.3	170.8	171.2	169.3

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

**Schedule B**

	For the Periods Ended December 31					
	Three Months			Twelve Months		
	2014	2013	% Change	2014	2013	% Change
<b>Revenue by segment</b>						
Financial Services	\$ 968	\$ 852	14 %	\$ 3,561	\$ 3,115	14 %
Retail Solutions	526	536	(2)%	2,008	2,034	(1)%
Hospitality	172	176	(2)%	659	626	5 %
Emerging Industries	102	106	(4)%	363	348	4 %
<b>Total Revenue</b>	<b>\$ 1,768</b>	<b>\$ 1,670</b>	<b>6 %</b>	<b>\$ 6,591</b>	<b>\$ 6,123</b>	<b>8 %</b>
<b>Operating income by segment</b>						
Financial Services	\$ 159	\$ 111		\$ 543	\$ 356	
% of Revenue	16.4%	13.0%		15.2%	11.4%	
Retail Solutions	47	65		155	205	
% of Revenue	8.9%	12.1%		7.7%	10.1%	
Hospitality	29	26		91	100	
% of Revenue	16.9%	14.8%		13.8%	16.0%	
Emerging Industries	16	19		31	56	
% of Revenue	15.7%	17.9%		8.5%	16.1%	
<b>Subtotal-segment operating income</b>	<b>\$ 251</b>	<b>\$ 221</b>		<b>\$ 820</b>	<b>\$ 717</b>	
% of Revenue	14.2%	13.2%		12.4%	11.7%	
Pension expense (benefit)	150	(99)		152	(78)	
Other adjustments <sup>(1)</sup>	66	23		315	129	
<b>Total income from operations</b>	<b>\$ 35</b>	<b>\$ 297</b>		<b>\$ 353</b>	<b>\$ 666</b>	

<sup>(1)</sup> The following table presents the other adjustments for NCR:

In millions	For the periods ended December 31			
	Three months		Twelve months	
	2014	2013	2014	2013
Restructuring plan	\$ 33	\$ —	\$ 160	\$ —
Acquisition-related amortization of intangible assets	30	17	119	65
Acquisition-related costs	2	2	27	46
Acquisition-related purchase price adjustments	—	3	6	15
OFAC and FCPA investigations	1	1	3	3
<b>Total other adjustments</b>	<b>\$ 66</b>	<b>\$ 23</b>	<b>\$ 315</b>	<b>\$ 129</b>



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

Schedule C

	December 31, 2014	September 30, 2014	December 31, 2013
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 511	\$ 424	\$ 528
Restricted cash	—	—	1,114
Accounts receivable, net	1,404	1,454	1,339
Inventories	669	777	790
Other current assets	504	557	568
<b>Total current assets</b>	<b>3,088</b>	<b>3,212</b>	<b>4,339</b>
Property, plant and equipment, net	396	398	352
Goodwill	2,760	2,773	1,534
Intangibles, net	926	962	494
Prepaid pension cost	551	506	478
Deferred income taxes	349	245	441
Other assets	537	514	470
<b>Total assets</b>	<b>\$ 8,607</b>	<b>\$ 8,610</b>	<b>\$ 8,108</b>
<b>Liabilities and stockholders' equity</b>			
Current liabilities			
Short-term borrowings	\$ 91	\$ 85	\$ 34
Accounts payable	712	705	670
Payroll and benefits liabilities	196	203	191
Deferred service revenue and customer deposits	494	529	525
Other current liabilities	481	486	461
<b>Total current liabilities</b>	<b>1,974</b>	<b>2,008</b>	<b>1,881</b>
Long-term debt	3,568	3,660	3,320
Pension and indemnity plan liabilities	705	513	532
Postretirement and postemployment benefits liabilities	170	172	169
Income tax accruals	181	189	189
Environmental liabilities	44	48	121
Other liabilities	67	76	99
<b>Total liabilities</b>	<b>6,709</b>	<b>6,666</b>	<b>6,311</b>
Redeemable noncontrolling interests	15	12	14
<b>Stockholders' equity</b>			
NCR stockholders' equity:			
Preferred stock: par value \$0.01 per share, 100.0 shares authorized, no shares issued and outstanding as of December 31, 2014, September 30, 2014, and December 31, 2013, respectively	—	—	—
Common stock: par value \$0.01 per share, 500.0 shares authorized, 168.6, 168.4, and 166.6 shares issued and outstanding as of December 31, 2014, September 30, 2014, and December 31, 2013, respectively	2	2	2
Paid-in capital	442	446	433
Retained earnings	1,563	1,530	1,372
Accumulated other comprehensive loss	(136)	(60)	(38)
<b>Total NCR stockholders' equity</b>	<b>1,871</b>	<b>1,918</b>	<b>1,769</b>
Noncontrolling interests in subsidiaries	12	14	14
<b>Total stockholders' equity</b>	<b>1,883</b>	<b>1,932</b>	<b>1,783</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 8,607</b>	<b>\$ 8,610</b>	<b>\$ 8,108</b>

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

Schedule D

	For the Periods Ended December 31			
	Three Months		Twelve Months	
	2014	2013	2014	2013
<b>Operating activities</b>				
Net income	\$ 35	\$ 197	\$ 195	\$ 447
Adjustments to reconcile net income to net cash provided by operating activities:				
Loss from discontinued operations	5	8	(10)	9
Depreciation and amortization	73	59	284	208
Stock-based compensation expense	5	7	31	41
Deferred income taxes	(97)	11	(125)	3
Gain on sale of property, plant and equipment and other assets	(3)	—	(5)	(14)
Impairment of long-lived and other assets	8	—	16	—
Changes in assets and liabilities:				
Receivables	47	16	(30)	(136)
Inventories	107	51	121	10
Current payables and accrued expenses	2	45	35	21
Deferred service revenue and customer deposits	(36)	15	(34)	36
Employee benefit plans	117	(245)	105	(397)
Other assets and liabilities	26	101	(59)	53
<b>Net cash provided by operating activities</b>	<b>289</b>	<b>265</b>	<b>524</b>	<b>281</b>
<b>Investing activities</b>				
Expenditures for property, plant and equipment	(30)	(36)	(118)	(116)
Proceeds from sales of property, plant and equipment	1	—	1	10
Additions to capitalized software	(31)	(35)	(140)	(110)
Business acquisition, net	—	(84)	(1,647)	(780)
Changes in restricted cash	—	(1,114)	1,114	(1,114)
Other investing activities, net	(2)	—	2	5
<b>Net cash used in investing activities</b>	<b>(62)</b>	<b>(1,269)</b>	<b>(788)</b>	<b>(2,105)</b>
<b>Financing activities</b>				
Short term borrowings, net	(2)	—	—	(1)
Payments on term credit facilities	(17)	—	(37)	(35)
Borrowings on term credit facilities	—	29	250	329
Payments on revolving credit facilities	(522)	(164)	(1,050)	(1,009)
Borrowings on revolving credit facilities	456	164	1,146	1,009
Proceeds from bond offerings	—	1,100	—	1,100
Debt issuance costs	(2)	(24)	(5)	(36)
Proceeds from employee stock plans	3	5	13	57
Purchase of noncontrolling interests	—	(24)	—	(24)
Tax withholding payments on behalf of employees	—	(2)	(28)	(30)
Other financing activities	(2)	(3)	(5)	(3)
<b>Net cash (used in) provided by financing activities</b>	<b>(86)</b>	<b>1,081</b>	<b>284</b>	<b>1,357</b>
<b>Cash flows from discontinued operations</b>				
Net cash provided by (used in) discontinued operations	(29)	(1)	(1)	(52)
Effect of exchange rate changes on cash and cash equivalents	(25)	(8)	(36)	(22)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>87</b>	<b>68</b>	<b>(17)</b>	<b>(541)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>424</b>	<b>460</b>	<b>528</b>	<b>1,069</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 511</b>	<b>\$ 528</b>	<b>\$ 511</b>	<b>\$ 528</b>

# Q4 2014 EARNINGS CONFERENCE CALL

BILL NUTI, CHAIRMAN AND CEO  
BOB FISHMAN, CFO

February 10, 2015





# 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 NCR's key initiatives for 2015 and their expected impact and benefits; the impact of various actions with respect to NCR's pension plans; the future growth and transformation of NCR and its lines of business; NCR's FY 2015 and Q1 2015 financial outlook; and the costs and expected benefits and results of NCR's ongoing restructuring plan. 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 February 10, 2015, 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](http://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, (i) the term "software-related revenue" includes software license, software maintenance, cloud, and professional services revenue associated with software delivery, (ii) the term "recurring revenue" means the sum of cloud, hardware maintenance and software maintenance revenue, and (iii) statements regarding NCR's revenue or other measures on an organic basis or excluding Digital Insight, or growth on an "organic" basis or excluding Digital Insight, refer to such revenue, measures or growth excluding the results of Digital Insight. Investors are advised that the terms "cloud" and "cloud revenue" are used by NCR to describe its software-as-a-service offerings and the revenue associated therewith; prior earnings releases and presentation materials referred to these offerings and revenues as "SaaS" and "SaaS 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.

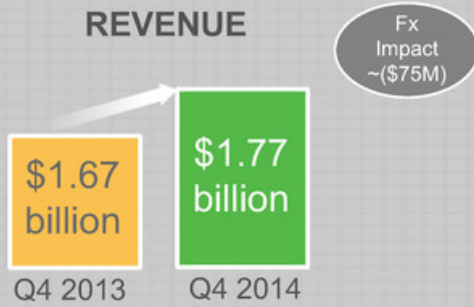
These presentation materials and the associated remarks made during this conference call are integrally related and are intended to be presented and understood together.





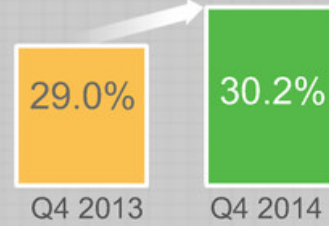
# Q4 2014 FINANCIAL RESULTS

## REVENUE



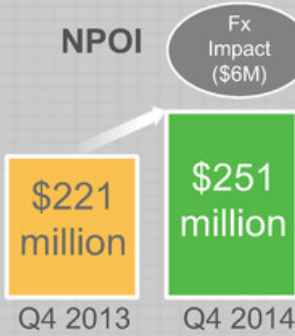
Up 6% y/y / Up 11% constant currency  
 Organic revenue up 5% constant currency  
 Recurring revenue up 13%, 39% of total

## OPERATIONAL GROSS MARGIN



Up 120 bps y/y; up 10 bps y/y organically

## NPOI



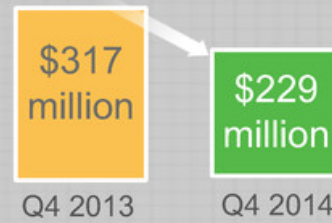
NPOI up 14% y/y; organic NPOI up 1% y/y

## NON-GAAP EPS



Non-GAAP EPS up 6% y/y

## FREE CASH FLOW

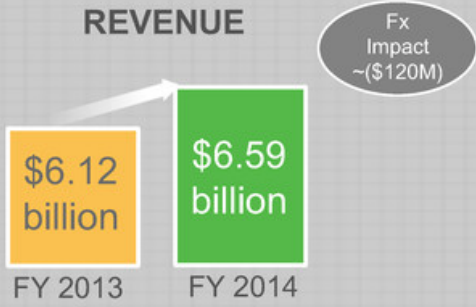


Q4 down y/y, but above revised guidance



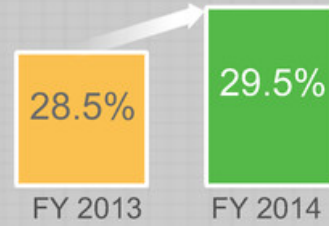
# FY 2014 FINANCIAL RESULTS

## REVENUE



Up 8% y/y / Up 10% constant currency  
 Organic revenue up 4% constant currency  
 Recurring revenue up 19%, 41% of total

## OPERATIONAL GROSS MARGIN



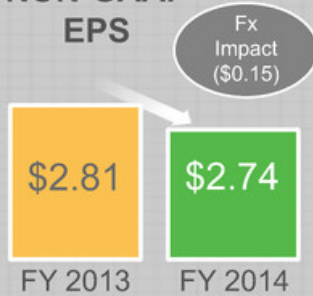
Up 100 bps y/y; down 30 bps y/y organically

## NPOI



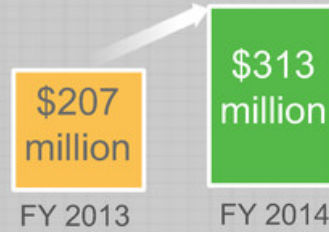
NPOI up 14% y/y; organic NPOI flat y/y

## NON-GAAP EPS



Non-GAAP EPS down 2% y/y

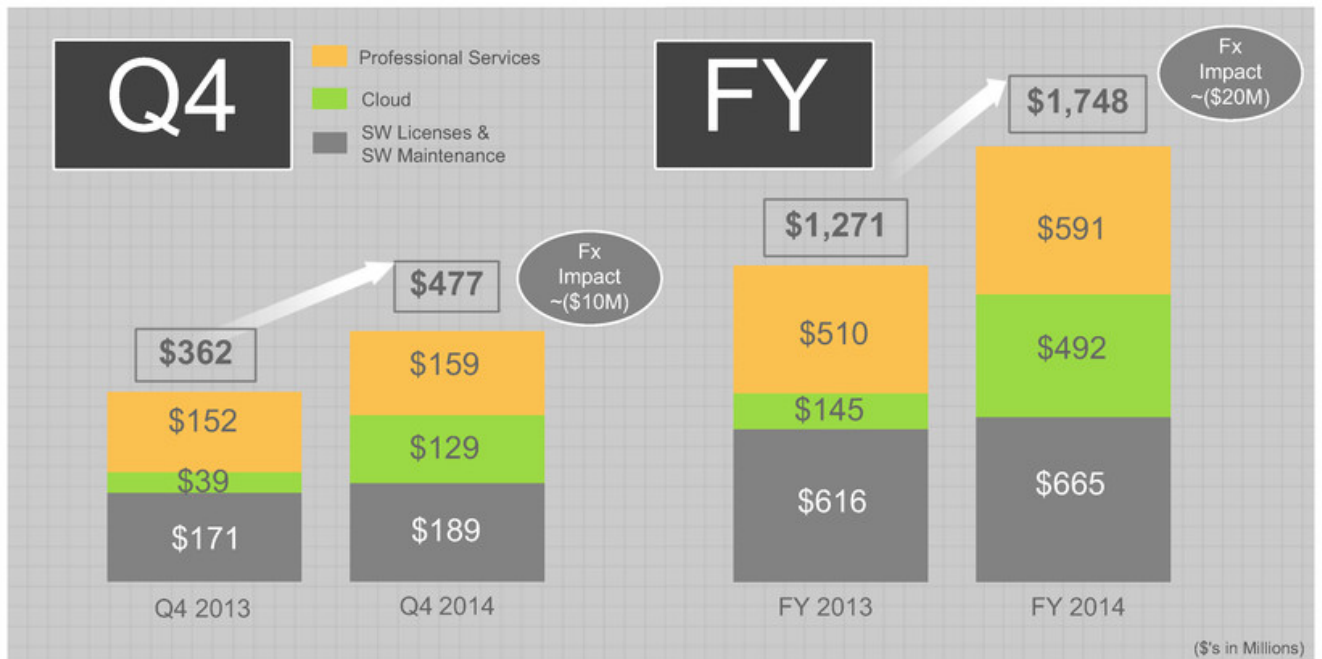
## FREE CASH FLOW



Solid improvement y/y



# SOFTWARE-RELATED REVENUE GROWTH

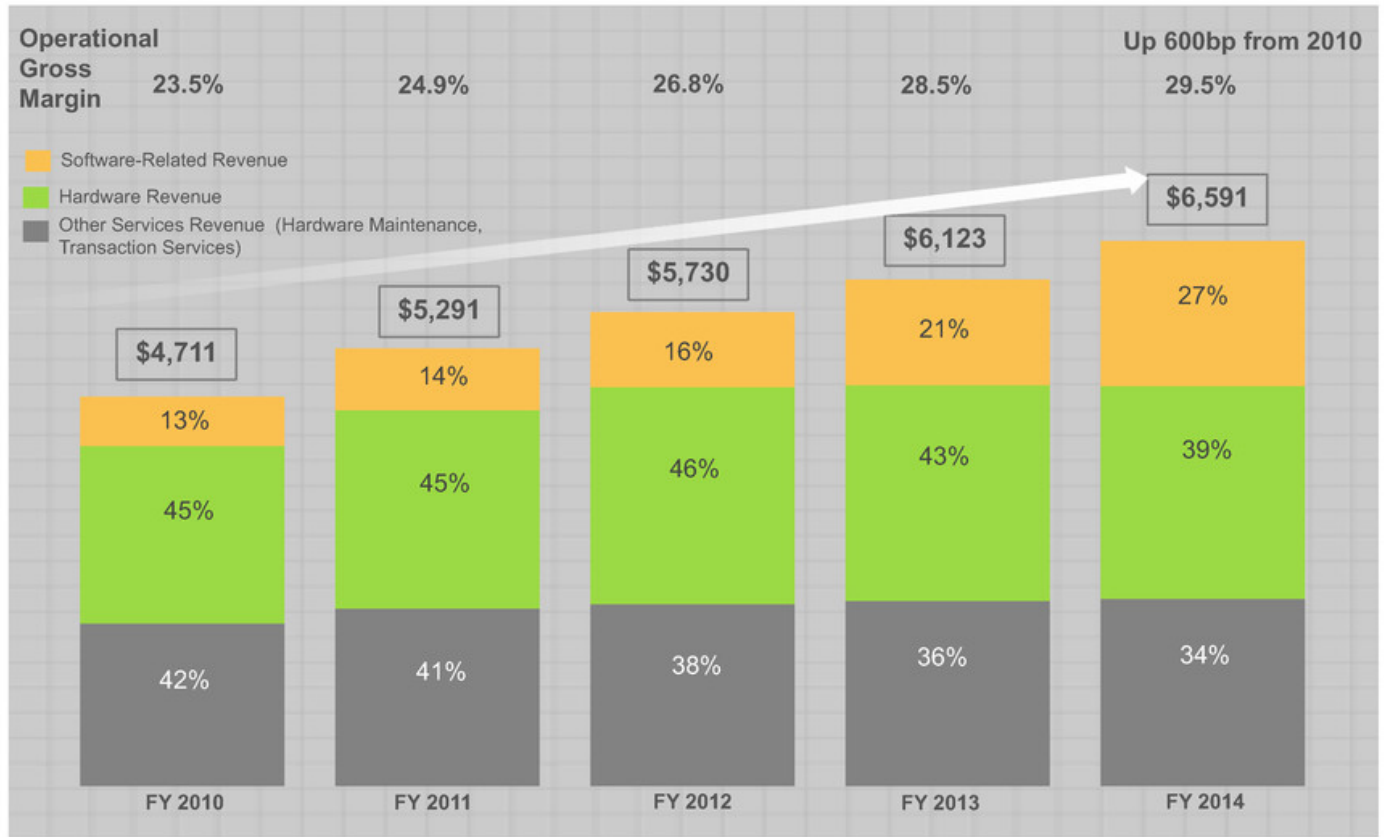


- Q4 Software-related revenue up 32% y/y; up 8% excluding Digital Insight
- Q4 Professional Services revenue up 5% y/y
- Q4 Cloud revenue up 231% y/y; up 15% excluding Digital Insight

- FY 2014 Software-related revenue up 38% y/y; up 12% excluding Digital Insight
- FY 2014 Professional Services revenue up 16% y/y
- FY 2014 Cloud revenue up 239% y/y; up 15% excluding Digital Insight



# SOFTWARE-RELATED REVENUE POSITIVELY IMPACTING MARGINS



(\$ in Millions)



# 2014 SUMMARY

## FURTHER TRANSFORMATION OF NCR AND EXECUTION AGAINST LEGACY ISSUES

### Financial Services Transformation

- Improved margins via software and cloud expansion
- Customer Experience Software Platform, CxP, our multichannel software architecture gaining momentum

### Software and Cloud

- Further expansion of higher margin revenues
- NCR is a top 100 software company <sup>(1)</sup>

### Digital Insight

- Transformed Financial Services through creation of leading end-to end multichannel banking platform
- Strong FY 2014 performance and customer response
- Successful integration of technology and people

### Pension - continued execution of Phase III

- Further reduced our pension liabilities and future mandatory cash contributions

### Fox River

- Overturned decisions that held NCR 100% liable for certain Fox River clean-up costs
- Collected \$106 million against API obligation and secured funding from three parties

<sup>(1)</sup> Source: PwC Global 100 Software Leaders published March 2014.





# 2015: THE YEAR AHEAD

## Key Initiatives

### Growth Driven by Innovation

Continue to innovate and deliver value to customers

### Software & Cloud

Deliver market leading solutions that power consumer transactions today and tomorrow

### Strengthen NCR

Build high performing global sales force backed by leading services delivery



# Q4 & FULL-YEAR OPERATIONAL RESULTS

	For the Periods Ended December 31					
	Three Months			Twelve Months		
	2014	2013	% Change	2014	2013	% Change
<b>Revenue</b>	\$1,768	\$1,670	6% <sup>(1)</sup> / 11% <sup>(2)</sup>	\$6,591	\$6,123	8% <sup>(1)</sup> / 10% <sup>(2)</sup>
<b>Excluding Digital Insight</b>	1,675	1,670	—% <sup>(1)</sup> / 5% <sup>(2)</sup>	6,242	6,123	2% <sup>(1)</sup> / 4% <sup>(2)</sup>
<b>Operational Gross Margin</b>	534	484	10%	1,942	1,745	11%
<b>Operational Gross Margin Rate</b>	30.2%	29.0%		29.5%	28.5%	
<b>Expenses (non-GAAP)</b>	283	263	8%	1,122	1,028	9%
<b>% of Revenue</b>	16.0%	15.7%		17.0%	16.8%	
<b>NPOI</b>	251	221	14%	820	717	14%
<b>% of Revenue</b>	14.2%	13.2%		12.4%	11.7%	
<b>Interest and other expense</b>	(57)	(32)	78%	(213)	(106)	101%
<b>Non-GAAP Diluted EPS<sup>(3)</sup></b>	\$0.88	\$0.83	6%	\$2.74	\$2.81	(2)%

(1) As reported.

(2) On a constant currency basis.

(3) Effective tax rate of 20% in Q4 2014 and 25% in Q4 2013, 22% in FY 2014 and 22% in FY 2013.

\$ millions, except per share amounts



# Q4 & FULL-YEAR GAAP RESULTS

	For the Periods Ended December 31					
	Three Months			Twelve Months		
	2014	2013	% Change	2014	2013	% Change
<b>Revenue</b>	\$1,768	\$1,670	6%	\$6,591	\$6,123	8%
<b>Gross Margin <sup>(1)</sup></b>	432	530	(18)%	1,732	1,740	—%
<b>Gross Margin Rate</b>	24.4%	31.7%		26.3%	28.4%	
<b>Expenses <sup>(1)</sup></b>	397	233	70%	1,379	1,074	28%
<b>% of Revenue</b>	22.5%	14.0%		20.9%	17.5%	
<b>Income from Operations <sup>(1)</sup></b>	35	297	(88)%	353	666	(47)%
<b>% of Revenue</b>	2.0%	17.8%		5.4%	10.9%	
<b>Interest and other expense</b>	(57)	(38)	50%	(216)	(112)	93%
<b>GAAP Diluted EPS</b>	\$0.22	\$1.21	(82)%	\$1.06	\$2.67	(60)%

<sup>(1)</sup> Decrease primarily related to the restructuring plan and pension expense in 2014 compared to pension benefit in 2013. Restructuring plan charges were \$33M and \$160M in Q4 2014 and FY 2014, respectively. Pension expense was \$150M in Q4 2014 and pension benefit was \$99M in Q4 2013. Pension expense was \$152M in FY 2014 and pension benefit was \$78M in FY 2013.

\$ millions, except per share amounts





# RESTRUCTURING UPDATE

## Reallocating Resources to Higher-Growth Higher-Margin Opportunities

### Product line-up

**Proactively 'end-of-life'ing** older commodity hardware product lines that are costly to maintain yet provide little-to-no-return

### Services productivity

**Moving lower productivity Services positions to our new centers of excellence** due to the positive impact of services innovation

### Portfolio rationalization

**Rationalizing hardware and software product lines** to eliminate overlap and redundancy

### Focused execution

**Reducing layers of management and organizing around Divisions**, improving decision-making, accountability and strategic execution

## Progress Update <sup>(1)</sup>

- Expected savings of ~\$18M in 2014, ~\$70M in 2015 and ~\$105M in 2016 with ~50% of the savings benefiting NPOI in each year
- Income statement charge of \$200M to \$225M in 2014 and 2015; \$163M recorded in 2014
- Cash impact of \$100M to \$115M in 2014 and 2015; \$29M paid in 2014
- 2,800 actions, with 1,900 replacements

<sup>(1)</sup> Updated from previous expectations of ~\$90 million in annualized savings by 2016, total income statement charge of \$150 million to \$200 million, and cash impact of ~\$50 million in 2014 and ~\$50 million in 2015.

# Q4 & FULL-YEAR REVENUE BY SEGMENT

	For the Periods Ended December 31							
	Three Months				Twelve Months			
	2014	2013	% Change	% Change (Constant Currency)	2014	2013	% Change	% Change (Constant Currency)
<b>Financial Services</b>	\$968	\$852	14 %	20 %	\$3,561	\$3,115	14%	17%
<i>Excluding Digital Insight</i>	\$875	\$852	3 %	9 %	\$3,212	\$3,115	3%	6%
<b>Retail Solutions</b>	526	536	(2)%	2 %	2,008	2,034	(1)%	—%
<b>Hospitality</b>	172	176	(2)%	(1)%	659	626	5 %	6%
<b>Emerging Industries</b>	102	106	(4)%	(1)%	363	348	4 %	5%
<b>Total Revenue</b>	<b>\$1,768</b>	<b>\$1,670</b>	<b>6 %</b>	<b>11 %</b>	<b>\$6,591</b>	<b>\$6,123</b>	<b>8%</b>	<b>10%</b>
<i>Excluding Digital Insight</i>	\$1,675	\$1,670	— %	5 %	\$6,242	\$6,123	2%	4%

\$ millions



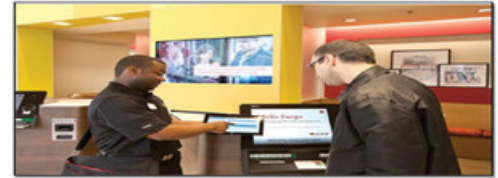
# Q4 & FULL-YEAR OPERATING INCOME BY SEGMENT

	For the Periods Ended December 31			
	Three Months		Twelve Months	
	2014	2013	2014	2013
<b>Financial Services (FS)</b>	\$159	\$111	\$543	\$356
<b>% of Financial Services Revenue</b>	16.4%	13.0%	15.2%	11.4%
<i>FS Excluding Digital Insight</i>	132	111	439	356
<i>% of FS Revenue Excluding Digital Insight</i>	15.1%	13.0%	13.7%	11.4%
<b>Retail Solutions</b>	47	65	155	205
<b>% of Retail Solutions Revenue</b>	8.9%	12.1%	7.7%	10.1%
<b>Hospitality</b>	29	26	91	100
<b>% of Hospitality Revenue</b>	16.9%	14.8%	13.8%	16.0%
<b>Emerging Industries</b>	16	19	31	56
<b>% of Emerging Industries Revenue</b>	15.7%	17.9%	8.5%	16.1%
<b>NPOI</b>	\$251	\$221	\$820	\$717
<b>% of Total Revenue</b>	14.2%	13.2%	12.4%	11.7%
<i>NPOI Excluding Digital Insight</i>	\$224	\$221	\$716	\$717
<i>% of Revenue Excluding Digital Insight</i>	13.4%	13.2%	11.5%	11.7%



# FINANCIAL SERVICES

Q4 2014 Update



## Financial Results

<b>Revenue</b>	<b>Reported</b>	<b>Constant Currency</b>
<b>\$968M</b>	↑ +14% y/y	↑ +20% y/y
<b>Organic Revenue</b>	<b>Reported</b>	<b>Constant Currency</b>
<b>\$875M</b>	↑ +3% y/y	↑ +9% y/y
<b>Operating Income</b>		
<b>\$159M</b>	↑ +43% y/y	
<b>Operating Margin</b>		
<b>16.4%</b>	↑ +340 bps	

## Key Metrics

- Organic orders down 11% driven by y/y declines in Russia, China, Americas and FX impact
- Backlog up 1% affected by Russia, China, and FX impact offset by growth in the rest of the world
- Operating income increased 43% with 55% from Digital Insight and 45% from core business
- Organic revenue up 3% y/y, up 9% constant currency, and organic operating margin up 210 bps
- Software-related revenue up 76%; up 13% excluding Digital Insight

## Key Market Developments

- Excellent performance in key markets
  - Success in North America, Brazil, Western Europe and MEA
  - Challenges in Russia and unfavorable FX impact
- Solution portfolio gaining traction
  - Branch Transformation revenues up well over 90% y/y
  - Solid organic software license revenue growth
- Digital Insight performing ahead of expectations
  - Q4 revenue of \$93 million and operating income of \$27 million
  - Continued strong mobile growth - 6.8M mobile active users vs. 5.1M last year
  - Record new signings exiting 2014



# RETAIL SOLUTIONS

Q4 2014 Update



## Financial Results

**Revenue**    **Reported**    **Constant Currency**  
**\$526M**    ↓ -2% y/y    ↑ +2% y/y

**Operating Income**  
**\$47M**    ↓ -28% y/y

**Operating Margin**  
**8.9%**    ↓ -320 bps

## Key Metrics

- Orders down 16% y/y driven by challenges in Tier I hardware offset by software-related growth in North America. Backlog, adjusted for a Q4 customer order cancellation, down 6%
- Q4 revenue and operating margin as expected, impacted by redirected IT spend and delays in customer rollouts; Revenue up 2% on a constant currency basis
- Operating margin up 400 basis points over Q3 2014
- Software-related revenue up 2%

## Key Market Developments

- Challenging retail market still impacting results, some positive signs in Q4 as noted below
- Continued strong demand for our Omni-channel solutions
- Strong y/y growth in professional services & software maintenance in-line with our strategy to move to a more software & services led business; Added 6,000 new Connected Payment stores
- Self checkout revenue up 5% y/y
  - Our expansion into emerging markets is yielding positive results with 3 new customer wins in Russia
  - Early success with our new "slim line" card, the only form factor designed for grab and go, convenience and department specialty retail with win at Muji Department stores in Japan
- NCR's Cornell-Mayo Software Takes Most #1 Rankings in 2014 RIS Software Leaderboard

# HOSPITALITY

Q4 2014 Update



## Financial Results

**Revenue**      **Reported**      **Constant Currency**  
**\$172M**    ↓ -2% y/y      ↓ -1% y/y

**Operating Income**  
**\$29M**    ↑ +12% y/y

**Operating Margin**  
**16.9%**    ↑ +210 bps

## Key Metrics

- Total revenue lower y/y due to decreased spend by certain global quick service restaurants
- Software-related revenue up 17%
- Cloud revenue up 19%
- Cloud application sites up 16% y/y
- Operating income increased due to favorable mix, driven by growth in software-related revenues

## Key Market Developments

- Our Engage™ Platform, which enables restaurant operators to leverage ordering, payment, loyalty and feedback functionality in one seamless-connected, consumer-driven experience, continues to grow surpassing 40,000 total application sites and 6,000 on-line ordering sites
- Continuing to advance North America SMB market strategy with 7% revenue growth y/y and 19% software-related revenue growth y/y
- International software-related revenue grew by 15% y/y
- Software revenue growth driven by increasing wallet share with our existing customers through implementation of digital signage, back office and consumer engagement solutions and services

# EMERGING INDUSTRIES

Q4 2014 Update



## Financial Results

**Revenue**      **Reported**      **Constant Currency**  
**\$102M**    ↓ -4% y/y      ↓ -1% y/y

**Operating Income**  
**\$16M**    ↓ -16% y/y

**Operating Margin**  
**15.7%**   ↓ -220 bps

## Key Metrics

- Telecom & Technology revenue flat
- Travel revenue down 26% due to a more selective approach, focusing on higher margin business
- Small Business continues to gain momentum
- Operating income negatively impacted by costs related to managed services contracts and continued investment in Small Business

## Key Market Developments

### *Telecom & Technology*

- Base expansion wins in new portfolios: Advanced and Managed Services
- Added two new Telecom expansion accounts
- Launched strategic partnership to deliver next-gen security solution

### *Travel*

- Delivered a record 37M mobile airline boarding passes in Q4 2014, up 185% y/y
- Delivered a record 639K mobile airline boarding passes on Nov 30, 2014, up 20% over previous daily record

### *Small Business (NCR Silver)*

- Increased adoption of NCR Silver; Customer base up 21% over Q3 2014 and up 171% y/y

# Q4 SUPPLEMENTAL REVENUE INFORMATION

	For the Periods Ended December 31							
	Three Months				Twelve Months			
	2014	2013	% Change	% Change (Constant Currency)	2014	2013	% Change	% Change (Constant Currency)
<b>Cloud</b>	\$129	\$39	231%	233%	\$492	\$145	239%	240%
<i>Excluding Digital Insight</i>	45	39	15%	17%	167	145	15%	16%
<b>Software License and Software Maintenance</b>	189	171	11%	14%	665	616	8%	9%
<b>Professional Services</b>	159	152	5%	9%	591	510	16%	18%
<b>Total Software-Related Revenue</b>	477	362	32%	35%	1,748	1,271	38%	39%
<i>Excluding Digital Insight</i>	392	362	8%	11%	1,419	1,271	12%	13%
<b>Hardware</b>	714	715	—%	5%	2,571	2,605	(1)%	1%
<b>Other Services</b>	577	593	(3)%	1%	2,272	2,247	1%	3%
<b>Total Revenue</b>	<b>\$1,768</b>	<b>\$1,670</b>	<b>6%</b>	<b>11%</b>	<b>\$6,591</b>	<b>\$6,123</b>	<b>8%</b>	<b>10%</b>

\$ millions





# FREE CASH FLOW

	For the Periods Ended December 31				
	Three Months		Twelve Months		
	2014	2013	FY 2015e	2014	2013
Cash Provided by Operating Activities <sup>(1)</sup>	\$289	\$265	\$595 - \$625	\$524	\$281
Net capital expenditures	(61)	(71)	(215) - (235)	(258)	(226)
Cash Used In Discontinued Operations	(29)	(1)	(35)	(1)	(52)
Pension discretionary contributions and settlements	30	124	—	48	204
<b>Free Cash Flow</b>	<b>\$229</b>	<b>\$317</b>	<b>\$325 - \$375</b>	<b>\$313</b>	<b>\$207</b>
<b>Free Cash Flow as a % of non-GAAP net income</b>			<b>~75%</b>	<b>67%</b>	<b>44%</b>

<sup>(1)</sup> Includes cash tax rate of 11%, 12%, and 13% in 2013, 2014, and 2015.

\$ millions, except metrics



# FREE CASH FLOW GENERATION

	2015e	2014	2013
<b>Free Cash Flow (FCF)</b>	<b>\$325 - \$375</b>	<b>\$313</b>	<b>\$207</b>
plus: Pension	35	39	79
plus: Discontinued Ops	35	1	52
plus: Acquisition-related costs	10	28	43
plus: Restructuring plan	70 - 85	29	—
<b>Adjusted FCF</b>	<b>~\$490 - \$525</b>	<b>\$410</b>	<b>\$381</b>
<b>Adjusted FCF as a % of non-GAAP net income</b>	<b>~100%</b>	<b>87%</b>	<b>80%</b>

\$ millions, except metrics



# WORKING CAPITAL METRICS

	Q4 2014	Q4 2013
Accounts Receivable	\$1,404	\$1,339
Days Sales Outstanding	71	72
Inventory	\$669	\$790
Days on Hand	45	62
Accounts Payable	\$712	\$670
Days Payable Outstanding	48	53
Deferred Revenue	\$494	\$525
<b>Working Capital</b>	<b>\$867</b>	<b>\$934</b>
<b>% of last 12 months revenue</b>	<b>13.2%</b>	<b>15.3%</b>
<b>Cash Conversion Cycle</b>	<b>69</b>	<b>79</b>

\$ in millions, except metrics



# NET DEBT & EBITDA METRICS

	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Debt	\$3,354	\$3,949	\$3,923	\$3,745	\$3,659
Cash	528	515	483	424	511
Net Debt	\$2,826	\$3,434	\$3,440	\$3,321	\$3,148
Adjusted EBITDA	\$870	\$904 <sup>(1)</sup>	\$941 <sup>(1)</sup>	\$963 <sup>(1)</sup>	\$1,000
Net Debt / Adjusted EBITDA	3.2x	3.8x	3.7x	3.4x	3.1x

<sup>(1)</sup> Adjusted EBITDA for the trailing twelve-month period.

\$ in millions, except metrics

Goal for Debt / Adjusted EBITDA under 3x in 2015



# PENSION UPDATE

	2011	2012	2013	2014	2015e
<b>Pension Assets</b>	\$4.7B	\$5.2B	\$5.0B	\$4.2B	
<b>Pension Liability</b>	\$6.1B	\$5.7B	\$5.1B	\$4.4B	
<b>Pension Funded Status<sup>(1)</sup></b>	\$(1.4B)	\$(0.5B)	\$(0.1B)	\$(0.2B)	
<b>Pension Contributions<sup>(2)</sup></b>	\$125M	\$152M	\$79M	\$39M	\$35M
<b>Pension Expense (Benefit)<sup>(3)</sup></b>	\$582M	\$(224M)	\$(78M)	\$152M	\$4M

<sup>(1)</sup> The 2014 Funded Status of \$(0.2B) includes the UK London Plan which is ~\$420M overfunded and is expected to fully transfer to an insurer in 2015 or early 2016.

<sup>(2)</sup> Excludes discretionary pension contributions of \$600M in 2012, \$204M in 2013 and \$48M in 2014. FY 2015e does not include any discretionary pension contributions.

<sup>(3)</sup> Includes Q4 mark to market adjustment of \$570M in 2011, \$(262M) in 2012, \$(104M) in 2013, and ~\$150M in 2014. FY 2015e excludes the impact of any mark to market adjustments and the impact of the transfer of the UK London plan.



# FY 2015 GUIDANCE

	2015 Guidance	2014
Revenue	\$6,525 - \$6,675 <sup>(1)</sup>	\$6,591
Year-over-Year Revenue Growth	(1%) to 1% <sup>(1)</sup>	8%
Constant Currency Year-Over-Year Revenue Growth	4% to 6%	10%
Income from Operations (GAAP) <sup>(2)</sup>	\$625 - \$690	\$353
Non-Pension Operating Income (NPOI)	\$830 - \$870	\$820
Adjusted EBITDA	\$1,046 - \$1,086	\$1,000
Diluted EPS (GAAP) <sup>(2)</sup>	\$1.80 - \$2.10	\$1.06
Non-GAAP Diluted EPS <sup>(3)</sup>	\$2.60 - \$2.80	\$2.74
Cash Flow from Operating Activities	\$595 - \$625	\$524
Free Cash Flow	\$325 - \$375	\$313

(1) Includes 5% of unfavorable foreign currency fluctuations.

\$ in millions, except per share amounts

(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 2015 and the impact of the transfer of the UK London plan.

(3) 2015 guidance includes expected other expense (income), net (OIE) of \$215M to \$220M, a 25% tax rate and a share count of 175M. 2014 results include OIE of \$213M, a 22% tax rate and a share count of 171.2M.

# 2015 SEGMENT REVENUE GUIDANCE

Segment	2015e	2015e Constant Currency	FY 2014
Financial Services	(2%) to 0%	3% to 5%	\$3,561
Retail Solutions	(1%) to 1%	4% to 6%	\$2,008
Hospitality	3% to 7%	5% to 9%	\$659
Emerging Industries	(6%) to (1%)	(2%) to 3%	\$363
<b>Total</b>	<b>(1%) to 1%</b>	<b>4% to 6%</b>	<b>\$6,591</b>

\$ in millions



# Q1 2015 GUIDANCE

	Q1 2015e	Q1 2014
Income from Operations (GAAP)	\$90 - \$100 <sup>(1)</sup>	\$108
Non-Pension Operating Income (Non-GAAP)	\$140 - \$150 <sup>(2)</sup>	\$155
Tax rate	23%	17%
Other expense	~\$55	\$50

(1) Includes an estimated pre-tax charge of \$15M related to the ongoing restructuring plan in Q1 2015.

(2) Includes an estimated unfavorable foreign currency impact of approximately \$10M in NPOI in Q1 2015.

\$ millions





# Q4 AND FY 2014 SUMMARY

- Q4 and FY 2014 results in-line with revised outlook
- Strong y/y expansion of software, cloud and recurring revenues
- Financial Services delivered a strong quarter and year
  - Balanced geographic performance
  - Branch Transformation solutions winning share and driving retail banking transformation
  - Digital Insight delivering results ahead of plan and positive customer response
- Retail Solutions facing ongoing challenges
  - Market factors continue to impact results
  - Increased market leadership position by significantly improving Services delivery
- Hospitality expanding its global footprint
  - Added new customers around the world
  - Solid growth in software, cloud, and cloud application sites
- Restructuring plan delivering cost savings and operational results
- Further execution against legacy items reduces risk and delivers cash flow benefits

SUPPLEMENTARY  
NON-GAAP MATERIALS

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# 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.



# NON-GAAP MEASURES

**Adjusted EBITDA.** NCR believes that Adjusted EBITDA (adjusted earnings before interest, taxes, depreciation and amortization) provides useful information to investors because it is an indicator of the strength and performance of the Company's ongoing business operations, including its ability to fund discretionary spending such as capital expenditures, strategic acquisitions and other investments. NCR determines Adjusted EBITDA for a given period based on its GAAP income (loss) from continuing operations plus interest expense, net; plus income tax expense (benefit); plus depreciation and amortization; plus other income (expense); plus pension expense (benefit); and plus special items included in the definition of NPOI. NCR believes that its ratio of net debt to Adjusted EBITDA provides useful information to investors because it is an indicator of the company's ability to meet its future financial obligations.

**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 growth 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 management'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 in the following slides and elsewhere in these materials. These reconciliations and other information regarding these non-GAAP measures are also available on the Investor Relations page of NCR's website at [www.ncr.com](http://www.ncr.com).





# GAAP TO NON-GAAP RECONCILIATION

## Income from Operations (GAAP) to Non-Pension Operating Income (non-GAAP) and Adjusted EBITDA (non-GAAP)

	<u>FY</u> <u>2013</u>	<u>Q1</u> <u>2014</u> <u>LTM</u>	<u>Q2</u> <u>2014</u> <u>LTM</u>	<u>Q3</u> <u>2014</u> <u>LTM</u>	<u>FY</u> <u>2014</u>	<u>FY</u> <u>2015e</u>	<u>Q1</u> <u>2015e</u>	<u>Q1</u> <u>2014</u>
in millions								
Income from Operations (GAAP)	\$666	\$689	\$719	\$615	\$353	\$625 - \$690	\$90 - \$100	\$108
Pension Expense (Benefit)	(78)	(86)	(93)	(97)	152	4	1	(1)
Restructuring Plan	—	—	—	127	160	39 - 64	15	—
Acquisition-Related Amortization of Intangibles	65	81	94	106	119	127	32	30
Acquisition-Related Costs	46	44	36	27	27	10	2	14
Acquisition-Related Purchase Price Adjustment	15	12	11	9	6	—	—	3
OFAC and FCPA Investigations <sup>(1)</sup>	3	3	4	3	3	—	—	1
<b>Non-Pension Operating Income (non-GAAP)</b>	<b>\$717</b>	<b>\$743</b>	<b>\$771</b>	<b>\$790</b>	<b>\$820</b>	<b>\$830 - \$870</b>	<b>\$140 - \$150</b>	<b>\$155</b>
Depreciation and Amortization	127	132	143	146	152	175		
Ongoing Pension Expense	(15)	(12)	(11)	(6)	(3)	(4)		
Stock Compensation Expense	41	41	38	33	31	45		
<b>Adjusted EBITDA</b>	<b>\$870</b>	<b>\$904</b>	<b>\$941</b>	<b>\$963</b>	<b>\$1,000</b>	<b>\$1,046 - \$1,086</b>		

<sup>(1)</sup> Estimated expenses for 2015 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

## Q4 2014 QTD

in millions (except per share amounts)

	Q4 QTD 2014 GAAP	Restructuring plan	Acquisition- related amortization of intangibles	Acquisition- related costs	Acquisition- related purchase price adjustments	OFAC and FCPA Investigations	Pension (expense) benefit	Q4 QTD 2014 non-GAAP
Product revenue	\$815	\$—	\$—	\$—	\$—	\$—	\$—	\$815
Service revenue	953	—	—	—	—	—	—	953
<b>Total revenue</b>	<b>1,768</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,768</b>
Cost of products	599	—	(10)	—	—	—	(3)	586
Cost of services	737	(1)	(6)	—	—	—	(82)	648
Gross margin	432	1	16	—	—	—	85	534
<b>Gross margin rate</b>	<b>24.4%</b>	<b>0.1%</b>	<b>0.9%</b>	<b>—%</b>	<b>—%</b>	<b>—%</b>	<b>4.8%</b>	<b>30.2%</b>
Selling, general and administrative expenses	288	—	(14)	(2)	—	(1)	(47)	224
Research and development expenses	77	—	—	—	—	—	(18)	59
Restructuring-related charges	32	(32)	—	—	—	—	—	—
Total expenses	397	(32)	(14)	(2)	—	(1)	(65)	283
Total expense as a % of revenue	22.5%	(1.8)%	(0.8)%	(0.1)%	—%	(0.1)%	(3.7)%	16.0%
<b>Income (loss) from operations</b>	<b>35</b>	<b>33</b>	<b>30</b>	<b>2</b>	<b>—</b>	<b>1</b>	<b>150</b>	<b>251</b>
Income (loss) from operations as a % of revenue	2%	1.9%	1.7%	0.1%	—%	0.1%	8.4%	14.2%
Interest and Other (expense) income, net	(57)	—	—	—	—	—	—	(57)
Income (loss) from continuing operations before income taxes	(22)	33	30	2	—	1	150	194
Income tax expense (benefit)	(62)	14	10	1	—	—	76	39
Effective tax rate	282%							20%
Income (loss) from continuing operations	40	19	20	1	—	1	74	155
Net income (loss) attributable to noncontrolling interests	2	2	—	—	—	—	—	4
Income (loss) from continuing operations (attributable to NCR)	\$38	\$17	\$20	\$1	\$—	\$1	\$74	\$151
<b>Diluted earnings per share</b>	<b>\$0.22</b>	<b>\$0.10</b>	<b>\$0.11</b>	<b>\$0.01</b>	<b>\$—</b>	<b>\$0.01</b>	<b>\$0.43</b>	<b>\$0.88</b>



# GAAP TO NON-GAAP RECONCILIATION

FY 2014

in millions (except per share amounts)

	FY 2014 GAAP	Restructuring plan	Acquisition- related amortization of intangibles	Acquisition- related costs	Acquisition- related purchase price adjustments	OFAC and FCPA Investigations	Pension (expense) benefit	FY 2014 non-GAAP
Product revenue	\$2,892	—	—	—	—	—	—	\$2,892
Service revenue	3,699	—	—	—	—	—	—	3,699
<b>Total revenue</b>	<b>6,591</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,591</b>
Cost of products	2,153	(9)	(39)	—	(4)	—	(3)	2,098
Cost of services	2,706	(47)	(24)	—	(2)	—	(82)	2,551
Gross margin	1,732	56	63	—	6	—	85	1,942
<b>Gross margin rate</b>	<b>26.3%</b>	<b>0.8%</b>	<b>1%</b>	<b>—%</b>	<b>0.1%</b>	<b>—%</b>	<b>1.3%</b>	<b>29.5%</b>
Selling, general and administrative expenses	1,012	—	(56)	(27)	—	(3)	(48)	878
Research and development expenses	263	—	—	—	—	—	(19)	244
Restructuring-related charges	104	(104)	—	—	—	—	—	—
Total expenses	1,379	(104)	(56)	(27)	—	(3)	(67)	1,122
Total expense as a % of revenue	20.9%	(1.6)%	(0.8)%	(0.4)%	—%	—%	(1.1)%	17%
<b>Income (loss) from operations</b>	<b>353</b>	<b>160</b>	<b>119</b>	<b>27</b>	<b>6</b>	<b>3</b>	<b>152</b>	<b>820</b>
Income (loss) from operations as a % of revenue	5.4%	2.4%	1.8%	0.4%	0.1%	—%	2.3%	12.4%
Interest and Other (expense) income, net	(216)	3	—	—	—	—	—	(213)
Income (loss) from continuing operations before income taxes	137	163	119	27	6	3	152	607
Income tax expense (benefit)	(48)	45	39	7	2	1	86	132
Effective tax rate	(35)%							22%
Income (loss) from continuing operations	185	118	80	20	4	2	66	475
Net income (loss) attributable to noncontrolling interests	4	2	—	—	—	—	—	6
Income (loss) from continuing operations (attributable to NCR)	\$181	\$116	\$80	\$20	\$4	\$2	\$66	\$469
<b>Diluted earnings per share</b>	<b>\$1.06</b>	<b>\$0.68</b>	<b>\$0.47</b>	<b>\$0.12</b>	<b>\$0.02</b>	<b>\$0.01</b>	<b>\$0.38</b>	<b>\$2.74</b>





# GAAP TO NON-GAAP RECONCILIATION

Q4 2013 QTD

	Q4 QTD 2013 GAAP	Acquisition- related amortization of intangibles	Acquisition- related costs	Acquisition- related purchase price adjustments	OFAC and FCPA Investigations	Japan valuation reserve release	Pension (expense) benefit	Q4 QTD 2013 non-GAAP
in millions (except per share amounts)								
Product revenue	\$801	—	—	—	—	—	—	\$801
Service revenue	869	—	—	—	—	—	—	869
<b>Total revenue</b>	<b>1,670</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,670</b>
Cost of products	575	(9)	—	(1)	—	—	2	567
Cost of services	565	—	—	(2)	—	—	56	619
Gross margin	530	9	—	3	—	—	(58)	484
<b>Gross margin rate</b>	<b>31.7%</b>	<b>0.5%</b>	<b>—%</b>	<b>0.2%</b>	<b>—%</b>	<b>—%</b>	<b>-3.4%</b>	<b>29.0%</b>
Selling, general and administrative expenses	193	(8)	(2)	—	(1)	—	28	210
Research and development expenses	40	—	—	—	—	—	13	53
Total expenses	233	(8)	(2)	—	(1)	—	41	263
<i>Total expense as a % of revenue</i>	<i>14.0%</i>	<i>(0.5)%</i>	<i>(0.1)%</i>	<i>—%</i>	<i>(0.1)%</i>	<i>—%</i>	<i>2.4%</i>	<i>15.7%</i>
<b>Income (loss) from operations</b>	<b>297</b>	<b>17</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>—</b>	<b>(99)</b>	<b>221</b>
<i>Income (loss) from operations as a % of revenue</i>	<i>17.8%</i>	<i>0.9%</i>	<i>0.1%</i>	<i>0.2%</i>	<i>0.1%</i>	<i>—%</i>	<i>(5.9)%</i>	<i>13.2%</i>
Interest and Other (expense) income, net	(38)	—	6	—	—	—	—	(32)
Income (loss) from continuing operations before income taxes	259	17	8	3	1	—	(99)	189
Income tax expense (benefit)	54	5	2	1	—	15	(29)	48
<i>Effective tax rate</i>	<i>21%</i>							<i>25%</i>
Income (loss) from continuing operations	205	12	6	2	1	(15)	(70)	141
Net income (loss) attributable to noncontrolling interests	(1)	—	—	—	—	—	—	(1)
Income (loss) from continuing operations (attributable to NCR)	\$206	\$12	\$6	\$2	\$1	(\$15)	(\$70)	\$142
<b>Diluted earnings per share</b>	<b>\$1.21</b>	<b>\$0.07</b>	<b>\$0.03</b>	<b>\$0.01</b>	<b>\$0.01</b>	<b>(\$0.09)</b>	<b>(\$0.41)</b>	<b>\$0.83</b>

# GAAP TO NON-GAAP RECONCILIATION

FY 2013

	FY 2013 GAAP	Acquisition- related amortization of intangibles	Acquisition- related costs	Acquisition- related purchase price adjustments	OFAC and FCPA Investigations	Japan valuation reserve release	Pension (expense) benefit	FY 2013 non-GAAP
in millions (except per share amounts)								
Product revenue	\$2,912	—	—	—	—	—	—	\$2,912
Service revenue	3,211	—	—	—	—	—	—	3,211
<b>Total revenue</b>	<b>6,123</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,123</b>
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
<b>Gross margin rate</b>	<b>28.4%</b>	<b>0.6%</b>	<b>—%</b>	<b>0.2%</b>	<b>—%</b>	<b>—%</b>	<b>-0.7%</b>	<b>28.5%</b>
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>
<b>Income (loss) from operations</b>	<b>666</b>	<b>65</b>	<b>46</b>	<b>15</b>	<b>3</b>	<b>—</b>	<b>(78)</b>	<b>717</b>
<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
<b>Diluted earnings per share</b>	<b>\$2.67</b>	<b>\$0.29</b>	<b>\$0.21</b>	<b>\$0.06</b>	<b>\$0.01</b>	<b>(\$0.09)</b>	<b>(\$0.34)</b>	<b>\$2.81</b>

# GAAP TO NON-GAAP RECONCILIATION

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

FY 2015e

Diluted EPS (GAAP)	\$1.80 - \$2.10
Pension Expense (Benefit)	0.01
Restructuring Plan	0.18 - 0.28
Acquisition-Related Costs	0.04
Acquisition-Related Amortization of Intangibles	0.47
Acquisition-Related Purchase Price Adjustment	—
OFAC and FCPA Investigations <sup>(1)</sup>	—
<b>Non-GAAP Diluted EPS</b>	<b>\$2.60 - \$2.80</b>

<sup>(1)</sup> Estimated expenses for 2015 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 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Gross Margin as a % of Revenue (GAAP)	22.9%	18%	28.7%	28.4%	26.3%
Pension expense (benefit)	0.6%	6.8%	(2.2)%	(0.7)%	1.3%
Restructuring plan	-	-	-	-	0.8%
Acquisition-related purchase price adjustments	-	-	-	0.2%	0.1%
Acquisition-related amortization of intangibles	-	0.1%	0.3%	0.6%	1.0%
<b>Operational Gross Margin Rate (non-GAAP)</b>	<b>23.5%</b>	<b>24.9%</b>	<b>26.8%</b>	<b>28.5%</b>	<b>29.5%</b>





