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

FORM 10-K

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

For the fiscal year ended December 31, 2016

Commission File Number 001-00395



NCR CORPORATION
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

31-0387920
(I.R.S. Employer
Identification No.)

3097 Satellite Boulevard
Duluth, GA 30096
(Address of principal executive offices) (Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2016, was approximately \$3.4 billion. As of February 15, 2017, there were approximately 123.0 million shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III: Portions of the Registrant’s Definitive Proxy Statement for its Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days after the Registrant’s fiscal year end of December 31, 2016 are incorporated by reference into Part III of this Report.

TABLE OF CONTENTS

<u>Item</u>	<u>Description</u>	<u>Page</u>
	Forward-Looking Statements	i
PART I		
1.	Business	1
1A.	Risk Factors	7
1B.	Unresolved Staff Comments	18
2.	Properties	19
3.	Legal Proceedings	19
4.	Mine Safety Disclosures	19
PART II		
5.	Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	20
6.	Selected Financial Data	22
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	23
7A.	Quantitative and Qualitative Disclosures about Market Risk	41
8.	Financial Statements and Supplementary Data	42
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	109
9A.	Controls and Procedures	109
9B.	Other Information	110
PART III		
10.	Directors, Executive Officers and Corporate Governance	110
11.	Executive Compensation	110
12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	111
13.	Certain Relationships and Related Transactions and Director Independence	111
14.	Principal Accountant Fees and Services	111
PART IV		
15.	Exhibits and Financial Statement Schedule	112
16.	Form 10-K Summary	120

This Report contains trademarks, service marks and registered marks of NCR Corporation and its subsidiaries, and of other companies, as indicated. Unless otherwise indicated, the terms “NCR,” the “Company,” “we,” “us,” and “our” refer to NCR Corporation and its subsidiaries.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. Forward-looking statements use words such as “expect,” “anticipate,” “outlook,” “intend,” “plan,” “believe,” “will,” “should,” “would,” “could” and words of similar meaning. Statements that describe or relate to our plans, goals, intentions, strategies or financial outlook, and statements that do not relate to historical or current fact, are examples of forward-looking statements. 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 our 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 listed in Item 1A “Risk Factors,” and Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” of this Annual Report on Form 10-K. Any forward-looking statement speaks only as of the date on which it is made. We do not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. BUSINESS

General

Businesses

NCR is a leading global provider of omni-channel technology solutions that help businesses connect, interact and transact with their customers. Our portfolio of self-service and assisted-service solutions are designed to allow businesses in the financial services, retail, hospitality, travel and telecommunications and technology industries to deliver a rich, integrated and personalized experience to consumers across physical and digital commerce channels. Our offerings include automated teller machines (ATMs), point of sale (POS) terminals and devices, self-service kiosks, omni-channel platform software and other software applications, and a complete suite of consulting, implementation, maintenance and managed services. We also resell third-party networking products and provide related service offerings in the telecommunications and technology sectors. Our solutions create value for our customers by allowing them to address consumer demand for convenience, value and individual service across different commerce channels.

Industries Served

NCR provides specific solutions for customers of varying sizes in a range of industries such as financial services, retail, hospitality, travel and telecommunications and technology. NCR's solutions are built on a foundation of long-established industry knowledge and consulting expertise, value-added software and hardware technology, and global implementation, consulting and customer support services.

Company History

NCR was originally incorporated in 1884 and was a publicly traded company on the New York Stock Exchange prior to its merger with a wholly-owned subsidiary of AT&T Corp. (AT&T) on September 19, 1991. On December 31, 1996, AT&T distributed all of its interest in NCR to its stockholders. NCR common stock is listed on the New York Stock Exchange and trades under the symbol "NCR".

On September 30, 2007, NCR completed the spin-off of its Teradata Data Warehousing business through the distribution of a tax-free stock dividend to NCR stockholders. NCR distributed one share of common stock of Teradata Corporation for each share of NCR common stock to NCR stockholders of record as of the close of business on September 14, 2007.

On August 24, 2011, NCR completed the acquisition of Radiant Systems, Inc. (Radiant). The acquisition was completed through a tender offer and subsequent merger. Radiant was a leading provider of technology solutions for managing site operations in the hospitality and specialty retail industries.

On February 6, 2013, NCR completed the acquisition of Retailix Ltd. (Retailix). Retailix was a leading global provider of innovative retail software and was subsequently integrated into NCR's omni-channel solution offerings for the retail industry.

On January 10, 2014, NCR completed its acquisition of Digital Insight Corporation (Digital Insight). The Digital Insight acquisition and subsequent integration extended NCR's existing capabilities in the financial services industry to form a complete enterprise software platform across both physical and digital channels.

Significant Transactions

On May 27, 2016, NCR completed the sale of all but the Middle East and Africa (MEA) assets of its Interactive Printer Solutions (IPS) business to Atlas Holdings LLC for cash consideration of \$47 million. In connection with the sale, NCR agreed to provide Atlas Holdings LLC with certain support services on a short-term basis following the closing under a transition services agreement.

Operating Segments

As of January 1, 2016, NCR began management of its business on a solution basis, changing from the previous model of management on a line of business basis. The new model is intended to drive improved execution on our software-driven business model, while allowing other revenue streams to contribute and add value towards our end-to-end solutions. As a result, we categorized our operations into three reportable segments: Software, Services and Hardware.

This change to our segment reporting for fiscal year 2016 and future periods is further described in Note 1, "Basis of Presentation and Significant Accounting Policies" of the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report. The information required by Item 1 with respect to our reportable segments and financial information regarding our geographic areas and those reportable

segments can be found in Item 7 of Part II of this Report under “Revenue and Operating Income by Segment” as well as in Item 8 of Part II of this Report as part of Note 13, “Segment Information and Concentrations” of the Notes to Consolidated Financial Statements and in Item 1A of this Report under “Multinational Operations,” and is incorporated herein by reference.

Products and Services

We sell a portfolio of hardware, software and services that combine to provide businesses with solutions to connect, interact and transact with their customers. Our offerings fall into the following categories:

Software Solutions

Our software offerings include industry-based software platforms such as our Cx Banking self-service ATM software application suite (providing ATM management systems) for financial services, our Retail ONE and Aloha Enterprise software application suites for the retail and hospitality industries, and NCR Silver, a cloud-based POS system for small businesses. We also provide a portfolio of other industry-oriented software applications, which include cash management software, video banking software, fraud and loss prevention applications, check and document imaging, remote-deposit capture, and customer-facing digital banking applications, such as web-enablement and bill payment (including mobile bill payment), for the financial services industry; and secure electronic and mobile payment solutions, sector-specific point of sale software applications for quick-service restaurants, gas stations and other businesses, and back-office inventory and store and restaurant management applications, for the retail and hospitality industries. We also provide in-depth industry and solution based consulting and professional services focused on bank branch, store and restaurant design and optimization, and cloud hosting services. Our software platforms and applications, which are delivered on software as a service (SaaS), enterprise license and other bases, are designed to work seamlessly together, with our hardware products, or as stand-alone solutions. Our software solutions deliver a consistent and rich consumer experience across channels, while enabling businesses to digitize and automate labor-intensive processes, reduce costs and increase productivity.

Services

Services are an essential and integrated component of NCR’s complete solution offerings to help companies increase availability and security of consumer touchpoints, improve operational efficiency and enhance the customer experience. We provide global end-to-end services from assessment and preparation, to staging, installation and implementation, and maintenance and support. We also provide systems management and complete managed services for our product offerings. We also provide Predictive Services, a managed services offering, which is designed to predict and address information technology issues quickly before they happen. In addition, we provide installation, maintenance and managed services for third party networking products to a broad base of customers in the telecommunications and technology sectors, and we service third party computer hardware from select manufacturers who value and leverage our global service capability.

Hardware Products

We provide financial institutions, retailers and independent deployers with a suite of financial-oriented self-service hardware products. Our financial services hardware products include multi-function ATMs, interactive teller machines (ITMs), thin-client ATMs, cash dispensers, cash recycling ATMs and hardware for check and image processing. Our financial services hardware products are designed to quickly, reliably and securely process consumer banking transactions while providing low cost of ownership, efficiency and a modernized consumer experience. We also provide retail- and hospitality-oriented hardware products such as point of sale terminals, self-checkout kiosks, order and payment kiosks, bar code scanners, printers and peripherals, to retailers, restaurants, food service companies and entertainment and sports venues worldwide. Our retail and hospitality hardware products are designed to improve operational efficiency, increase customer satisfaction, streamline order and transaction processing and reduce operating costs. We also provide other self-service kiosks, such as self-check in/out kiosk solutions for airlines, hotels and casinos that allow guests to check in/out without assistance, wayfinding solutions (locating products or navigating through large, complex buildings and campuses), digital signage, bill payment kiosks and gift registries. These solutions create pleasant and convenient experiences for consumers and enable our customers to reduce costs. In addition, we resell third party networking products to a broad base of customers in the telecommunications and technology sectors.

Target Markets and Distribution Channels

NCR provides its software, services and hardware solutions to customers of varying sizes in the financial services, retail, hospitality, travel and telecommunications and technology industries.

Our financial solutions primarily serve the financial services industry with particular focus on retail banking, which includes traditional providers of consumer banking and financial services. These solutions also serve the retail markets through convenience banking products for retailers designed to complement their core businesses. Customers are located throughout the world in both developed

and emerging markets. We have historically sold most of our financial solutions through a direct sales channel, although a portion of revenue is derived through distributors and value-added resellers.

We provide self-service kiosk and POS solutions to the retail and hospitality industries. Retail customers include department stores, specialty retailers, mass merchandisers, catalog stores, supermarkets, hypermarkets, grocery stores, drug stores, wholesalers, convenience stores, petroleum outlets and small businesses. Hospitality customers include retailers, restaurants and food service providers, and sports and entertainment venues (including stadiums, arenas and cinemas) and small businesses. We also provide our self-service solutions to customers in the travel industry, including airlines, airports, car rental companies, and hotel/lodging operators. Self-service kiosk and POS solutions are sold through a direct sales force and through relationships with value-added resellers, distributors, dealers and other indirect sales channels.

We provide service and support for our products and solutions through services contracts with our customers. We have also established managed services contracts with key customers and continue to pursue additional managed services relationships. Longer term managed services arrangements can help improve the efficiency and performance of the customer's business, and also increase the strategic and financial importance of its relationship with NCR. We also service competing technologies—for example, Toshiba Tec retail technologies and Diebold Nixdorf ATMs. The primary sales channel for our services is our direct sales teams, which exist across all geographies where we operate around the world. Our services professionals provide these services directly to end customers.

Competition

We face a diverse group of competitors in the industries in which we sell our hardware, software and services solutions. The primary factors of competition can vary by geographic area where we operate around the world, but typically include: value and quality of the solutions or products; total cost of ownership; industry knowledge of the vendor; the vendor's ability to provide and support a total end-to-end solution; the vendor's ability to integrate new and existing systems; fit of the vendor's strategic vision with the customer's strategic direction; and quality of the vendor's consulting, deployment and support services.

In the financial services industry, we face a variety of competitors, including Diebold Nixdorf Incorporated and Nautilus Hyosung, as well as many other regional firms, across all geographies where we operate around the world. Other competitors vary by product, service offering and geographic area, and include, among others, Fidelity National Information Services, Q2 Holdings and ACI Worldwide for imaging solutions.

We also face a variety of competitors in the retail and hospitality industries across all geographies. Our competitors vary by market segment, product, service offering and geographic area, and include Toshiba Tec, Diebold Nixdorf, Fujitsu, Hewlett-Packard Inc., Honeywell, Oracle, Manhattan Associates and Datalogic, among others.

We face a diverse group of competitors in the travel industry. Competitors in the travel industry include Embross, SITA and IER, among others.

We face competition for services from other technology and service providers, as well as from independent service operators, in all geographies where we operate around the world. The primary services competitors are the companies identified above, as global technology providers continue to focus on services as a core business strategy. We also compete with a range of regional and local independent service operators across our various geographies.

Research and Development

We remain focused on designing and developing solutions that anticipate our customers' changing technological needs as well as consumer preferences. Our expenses for research and development were \$242 million in 2016, \$230 million in 2015, and \$263 million in 2014. We anticipate that we will continue to have significant research and development expenditures in the future in order to provide a continuing flow of innovative, high-quality products and services and to help maintain and enhance our competitive position. Information regarding the accounting and costs included in research and development activities is included in Note 1, "Basis of Presentation and Significant Accounting Policies" of the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report under "Research and Development Costs," and is incorporated herein by reference.

Patents and Trademarks

NCR seeks patent protection for its innovations, including improvements, associated with its software, hardware, services, solutions, and developments, where such protection is likely to provide value to NCR. NCR owns more than 1,300 patents in the U.S. and numerous other patents in foreign countries. The foreign patents are generally counterparts of NCR's U.S. patents. Many of the patents owned by NCR are licensed to others, and NCR is licensed under certain patents owned by others. NCR has active patent licensing and other monetization programs to drive additional value from its patent portfolio. NCR also has numerous patent applications pending in the U.S. and in foreign countries. NCR's portfolio of patents and patent applications, in the aggregate, is of significant value to NCR.

NCR has registered certain trademarks and service marks in the U.S. and in a number of foreign countries. NCR considers the “NCR” and NCR logo marks and many of its other trademarks and service marks to be valuable assets.

Seasonality

Our sales are historically seasonal, with lower revenue in the first quarter and higher revenue in the fourth quarter of each year. Such seasonality also causes our working capital cash flow requirements to vary from quarter to quarter depending on variability in the volume, timing and mix of sales. In addition, revenue in the third month of each quarter is typically higher than in the first and second months. Information regarding seasonality and its potential impact on our business is included in Item 1A of this Report under the caption, “Operating Results Fluctuations,” and is incorporated herein by reference.

Manufacturing and Raw Materials

In most cases, there are a number of vendors providing the services and producing the parts and components that we utilize. However, there are some services and components that are purchased from single sources due to price, quality, technology or other reasons. For example, we depend on computer chips and microprocessors from Intel and operating systems from Microsoft. Certain parts and components used in the manufacturing of our ATMs and the delivery of many of our retail solutions are also supplied by single sources. In addition, there are a number of key suppliers for our businesses who provide us with critical products for our solutions.

At December 31, 2016, we manufactured our ATMs in facilities located in Columbus, Georgia, USA; Manaus, Brazil; Budapest, Hungary; Beijing, China; Puducherry, India and Chengalpattu, India. Our self-checkout solutions are manufactured in facilities located in Columbus, Georgia, USA and Budapest, Hungary. Our financial kiosk solutions are manufactured in facilities located in Beijing, China; Budapest, Hungary; Manaus, Brazil; Puducherry, India and Chengalpattu, India. Our POS terminals are manufactured in facilities located in Columbus, Georgia, USA; Beijing, China; Budapest, Hungary; Salzburg, Austria; and Adelaide, Australia, and certain hand-held solutions are manufactured in Salzburg, Austria. NCR outsources the manufacturing of its payment solutions for all geographies where we operate around the world, as well as the manufacturing of some POS terminals, printers, bar code scanners and various other kiosks.

Further information regarding the potential impact of these relationships on our business operations, and regarding sources and availability of raw materials, is also included in Item 1A of this Report under the caption “Reliance on Third Parties,” and is incorporated herein by reference.

Product Backlog

Our backlog was approximately \$1.38 billion and \$1.11 billion at December 31, 2016 and 2015, respectively. The backlog includes orders confirmed for products scheduled to be shipped as well as certain professional and transaction services to be provided. Although we believe that the orders included in the backlog are firm, some orders may be canceled by the customer without penalty. Even when penalties for cancellation are provided for in a customer contract, we may elect to permit cancellation of orders without penalty where management believes it is in our best interests to do so. Further, we have a significant portion of revenue derived from our growing service-based business (including our cloud and hosted businesses), for which backlog information is not measured. Therefore, we do not believe that our backlog, as of any particular date, is necessarily indicative of revenue for any future period.

Employees

On December 31, 2016, NCR had approximately 33,500 employees and contractors worldwide.

Environmental Matters

Compliance with federal, state, and local environmental regulations relating to the protection of the environment could have a material adverse impact on our capital expenditures, earnings or competitive position. While NCR does not currently expect to incur material capital expenditures related to compliance with such laws and regulations, and while we believe the amounts provided in our Consolidated Financial Statements are adequate in light of the probable and estimable liabilities in this area, there can be no assurances that environmental matters will not lead to a material adverse impact on our capital expenditures, earnings or competitive position. A detailed discussion of the current estimated impacts of compliance issues relating to environmental regulations, particularly the Fox River and Kalamazoo River matters, is reported in Item 8 of Part II of this Report as part of Note 10, “Commitments and Contingencies” and Note 18, “Subsequent Events” of the Notes to Consolidated Financial Statements and is incorporated herein by reference. Further information regarding the potential impact of compliance with federal, state, and local environmental regulations is also included in Item 1A of this Report under the caption “Environmental,” and is incorporated herein by reference.

Executive Officers of the Registrant

The Executive Officers of NCR (as of February 24, 2017) are as follows:

Name	Age	Position and Offices Held
William R. Nuti	53	Chairman of the Board and Chief Executive Officer
Mark D. Benjamin	46	President and Chief Operating Officer
Michael B. Bayer	53	Executive Vice President, Global Sales
J. Robert Ciminera	59	Executive Vice President, Hardware Product Operations
Robert P. Fishman	53	Executive Vice President and Chief Financial Officer
Edward R. Gallagher	63	Senior Vice President, General Counsel and Corporate Secretary
Paul Langenbahn	48	Executive Vice President, Global Software
Andrea L. Ledford	51	Executive Vice President, Chief Administration Office, and Chief Human Resources Officer
Frederick ("Rick") Marquardt	58	Executive Vice President, Global Services

Set forth below is a description of the background of each of the Executive Officers.

William R. Nuti is NCR's Chairman of the Board and Chief Executive Officer, and prior to October 2016 Mr. Nuti also served as NCR's president. Mr. Nuti became a director of NCR on August 7, 2005 and became Chairman of the Board on October 1, 2007. Before joining NCR in August 2005, Mr. Nuti served as President and Chief Executive Officer of Symbol Technologies, Inc., an information technology company. Prior to that, he was Chief Operating Officer of Symbol Technologies. Mr. Nuti joined Symbol Technologies in 2002 following a 10 plus year career at Cisco Systems, Inc. where he advanced to the dual role of Senior Vice President of the company's Worldwide Service Provider Operations and U.S. Theater Operations. Prior to his Cisco experience, Mr. Nuti held sales and management positions at IBM, Netrix Corporation and Network Equipment Technologies. Mr. Nuti is also a director of Coach, Inc., where he is a member of its Audit, Human Resources, and Governance & Nominating Committees, and United Continental Holdings, Inc. where he is a member of its Finance Committee. Mr. Nuti previously served as a director of Sprint Nextel Corporation. He is also a member of the Georgia Institute of Technology advisory board and a trustee of Long Island University.

Mark D. Benjamin joined NCR as its President and Chief Operating Officer in October 2016. Prior to joining NCR, Mr. Benjamin spent 24 years in a series of global assignments with Automatic Data Processing, Inc. (ADP), which he joined in 1992. At ADP, Mr. Benjamin served from July 2013 to September 2016 as President of ADP's Global Enterprise Solutions division, leading a team of 20,000 employees, and managing a multi-billion dollar portfolio of businesses serving clients in over 100 countries. Before that, Mr. Benjamin served as President, Employer Services International, from July 2011 to July 2013, as Senior Vice President, Services and Operations - Small Business Services and Total Source, from April 2008 to June 2011, and in various other operations-focused roles. Mr. Benjamin holds a bachelor's degree in international finance and marketing from the University of Miami.

Michael B. Bayer became Executive Vice President, Global Sales, in January 2017, and from July 2014 to January 2017, Mr. Bayer acted as Senior Vice President and President, NCR Retail. Prior to joining NCR in July 2014, Mr. Bayer has held leadership roles at companies such as Motorola, Symbol Technologies and Cisco Systems, and most recently as President of Global Growth Markets for Avaya, a global provider of business communications, and collaboration systems. Prior to that, Mr. Bayer served as Avaya's EMEA President, where he led the region's sales and operations and worked with customers to deliver Unified Communications, IP Telephony and Contact Center solutions across EMEA. Mr. Bayer holds a master's degree in electronics and telecommunications from Fachhochschule Wiirzburg-Schweinfurtin Germany.

J. Robert Ciminera became NCR's Executive Vice President, Hardware Product Operations, in January 2017, where he is responsible for NCR's hardware product portfolio. Previously, Mr. Ciminera served as NCR's Senior Vice President, Hardware Solutions and Global Operations from October 2015 to January 2017, as NCR's Senior Vice President, Integrated Supply Chain Operations from May 2014 to October 2015, and as NCR's Vice President, Strategic Sourcing and Chief Procurement Officer from February 2009, when he joined NCR, through May 2014. Before joining NCR, Mr. Ciminera served in various sourcing, supply chain and product management roles with Avaya, Motorola, Symbol Technologies and other technology companies.

Robert P. Fishman became Executive Vice President and Chief Financial Officer in April 2016, and served as Senior Vice President and Chief Financial Officer in from March 2010 to April 2016. Prior to becoming Chief Financial Officer, he was Interim Chief Financial Officer from October 2009 to March 2010, and Vice President and Corporate Controller from January 2007 to October 2009. From September 2005 to January 2007, Mr. Fishman was Assistant Controller and from January 2005 to September 2005, he was Director, Corporate Planning. Mr. Fishman joined NCR in 1993.

Edward R. Gallagher was named Senior Vice President, General Counsel and Secretary of NCR in October 2015, having served as Acting General Counsel since October 2014. His prior position with NCR was Law Vice President, Litigation & Employment Law, commencing in 2003; he has also served in other positions within the NCR Law Department, including Chief Counsel of the former Systemedia Division. Mr. Gallagher joined NCR in 1992. Prior to that, Mr. Gallagher was an attorney in private practice with in San Francisco and in Boston. Mr. Gallagher holds a law degree from Yale Law School, as well as a master's degree from Yale University in political science and international relations. He has an undergraduate degree from the University of South Dakota.

Paul Langenbahn became NCR's Executive Vice President, Global Software, in January 2017. From April 2014 to December 2016, Mr. Langenbahn served as Senior Vice President and President, Hospitality, and before that, following NCR's acquisition of Radiant Systems, Inc. in 2011, he served as Vice President, Global Sales, Marketing and Services for NCR's Hospitality division. Prior to joining NCR in 2011, Mr. Langenbahn was President of Radiant Systems' Hospitality division, and he held various other leadership roles in sales, professional services, solution management and general management at Radiant Systems, where he was instrumental in the company's development and growth.

Andrea L. Ledford became Executive Vice President, Chief Administration Office, and Chief Human Resources Officer in February 2016. Previously, Ms. Ledford was Senior Vice President, Corporate Services and Chief Human Resources Officer from November 2013 to January 2016, Senior Vice President and Chief Human Resources Officer, from June 2012 to November 2013, Senior Vice President, Human Resources, from June 2007 to June 2012, and Interim Senior Vice President, Human Resources from February 2007 to June 2007. Prior to assuming this position, she was Vice President, Human Resources, Asia/Pacific, and Europe, Middle East and Africa, from February 2006 to February 2007. Before joining NCR in February 2006, Ms. Ledford was EMEA Leader, Human Resources, at Symbol Technologies, Inc. from 2002 to February 2006 and held a variety of leadership roles at Cisco Systems, Inc. in EMEA, Asia/Pacific and Latin America.

Frederick ("Rick") Marquardt became NCR's Executive Vice President, Global Services, Telecom & Technology and Enterprise Quality in January 2017. From April 2014 to December 2016, he served as NCR's Executive Vice President, Services, Hardware Solutions and Enterprise Quality. Mr. Marquardt joined NCR in 2006, and until April 2014, he held a variety of roles at the company including Senior Vice President of Integrated Supply Chain from September 2013 to April 2014, Senior Vice President of Global Operations, Vice President of Manufacturing for NCR, and Vice President of Global Operations for NCR's Financial Industry Business Unit (also known as the Financial Services division). Prior to joining NCR, Mr. Marquardt worked for Motorola Corporation, where he held several leadership positions in operations and manufacturing.

Available Information

NCR makes available through its website at <http://investor.ncr.com>, free of charge, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, definitive proxy statements on Schedule 14A and Current Reports on Form 8-K, and all amendments to such reports and schedules, as soon as reasonably practicable after these reports are electronically filed or furnished to the U.S. Securities and Exchange Commission (SEC) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act). The SEC website (www.sec.gov) contains the reports, proxy statements and information statements, and other information regarding issuers that file or furnish electronically with the SEC. Also, the public may read and copy any materials that NCR files or furnishes with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. NCR will furnish, without charge to a security holder upon written request, the Notice of Meeting and Proxy Statement for the 2017 Annual Meeting of Stockholders (the 2017 Proxy Statement), portions of which are incorporated herein by reference. NCR also will furnish its Code of Conduct at no cost and any other exhibit at cost. Document requests are available by calling or writing to:

NCR—Investor Relations
3097 Satellite Boulevard
Duluth, GA 30096
Phone: 800-255-5627
E-Mail: investor.relations@ncr.com
Website: <http://investor.ncr.com>

NCR's website, www.ncr.com, contains a significant amount of information about NCR, including financial and other information for investors. NCR encourages investors to visit its website regularly, as information may be updated and new information may be posted at any time. The contents of NCR's website are not incorporated by reference into this Form 10-K and shall not be deemed "filed" under the Exchange Act.

Item 1A. RISK FACTORS

The risks and uncertainties described below could materially and adversely affect our business, financial condition, results of operations, could cause actual results to differ materially from our expectations and projections, and could cause the market value of our stock to decline. You should consider these risk factors when reading the rest of this Annual Report on Form 10-K, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes included elsewhere in this document. These risk factors may not include all of the important factors that could affect our business or our industry or that could cause our future financial results to differ materially from historic or expected results or cause the market price of our common stock to fluctuate or decline.

Economic Pressures. *Our business may be negatively affected by domestic and global economic and credit conditions.* Our business is sensitive to the strength of domestic and global economic and credit conditions, particularly as they affect, either directly or indirectly, the financial services, retail and hospitality sectors of the economy. Economic and credit conditions are influenced by a number of factors, including political conditions, consumer confidence, unemployment levels, interest rates, commodity prices and the effects of government actions to address economic slow-downs and sovereign debt issues, improve global credit markets and generally stimulate economic growth. Uncertainty in Chinese economy, economic sanctions against Russia, the determination by the United Kingdom to exit the European Union, uncertainty over further potential changes in Eurozone participation, the potential for changes for global or regional trade agreements and the imposition of import or export tariffs, border adjustment taxes or protectionist trade policies, fluctuations in oil and commodity prices, market conditions and spending trends in the financial services industry, continuing sovereign debt crises in the Eurozone and elsewhere, and the uneven global economic recovery, among other things, have created a challenging and unpredictable environment in which to market the products and services of our various businesses across our different geographies and industries.

A negative economic climate could create financial pressures that impact the ability or willingness of our customers to make capital expenditures, thereby affecting their decision to purchase or roll out our products or services or, especially with respect to smaller customers, to pay accounts receivable owed to NCR. Additionally, if customers respond to a negative economic climate by consolidation, it could reduce our base of potential customers. Negative global economic conditions also may have a material effect on our customers’ ability to obtain financing for the purchase of our products and services from third party financing companies, which could adversely affect our operating results.

Indebtedness and Repurchase Obligations. *Our substantial level of indebtedness could limit our financial and operating activities and adversely affect our ability to incur additional debt to fund future needs.* At December 31, 2016, we had approximately \$3.08 billion of total indebtedness outstanding. Additionally, at December 31, 2016, we had approximately \$1.10 billion of secured debt available for borrowing under our senior secured credit facility, and approximately \$200 million of secured debt available for borrowing under our trade receivables securitization facility. This level of indebtedness could:

- require us to dedicate a substantial portion of our cash flow to the payment of principal and interest, thereby reducing the funds available for operations and future business opportunities;
- make it more difficult for us to satisfy our obligations with respect to our outstanding senior unsecured notes, including our change in control repurchase obligations;
- limit our ability to borrow additional money if needed for other purposes, including working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes, on satisfactory terms or at all;
- limit our ability to adjust to changing economic, business and competitive conditions;
- place us at a competitive disadvantage with competitors who may have less indebtedness or greater access to financing;
- make us more vulnerable to an increase in interest rates, a downturn in our operating performance or a decline in general economic conditions; and
- make us more susceptible to adverse changes in credit ratings, which could impact our ability to obtain financing in the future and increase the cost of such financing.

If compliance with our debt obligations materially limits our financial or operating activities, or hinders our ability to adapt to changing industry conditions, we may lose market share, our revenue may decline and our operating results may be negatively affected.

The terms of the documents governing our indebtedness include financial and other covenants that could restrict or limit our financial and business operations. Our senior secured credit facility and the indentures for our senior unsecured notes include restrictive covenants

that, subject to certain exceptions and qualifications, restrict or limit our ability and the ability of our subsidiaries to, among other things:

- incur additional indebtedness;
- create liens on, sell or otherwise dispose of, our assets;
- engage in certain fundamental corporate changes or changes to our business activities;
- make certain investments or material acquisitions;
- engage in sale-leaseback or hedging transactions;
- repurchase our common stock, pay dividends or make similar distributions on our capital stock;
- repay certain indebtedness;
- engage in certain affiliate transactions; and
- enter into agreements that restrict our ability to create liens, pay dividends or make loan repayments.

The senior secured credit facility and the indentures also contain certain affirmative covenants, and the senior secured credit facility requires us to comply with financial coverage ratios regarding both our interest expense and our debt relative to our Consolidated EBITDA (as defined in the senior secured credit facility).

These covenants and restrictions could affect our ability to operate our business, and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. Additionally, our ability to comply with these covenants may be affected by events beyond our control, including general economic and credit conditions and industry downturns.

In addition, under our trade receivables securitization facility, we are required, among other things, to maintain certain financial tests relating to the three month rolling average ratio of defaults, delinquencies, dilution and days sales outstanding of the receivables pool (as such ratios and tests are described in the agreement governing our trade receivables securitization facility).

If we fail to comply with these covenants and are unable to obtain a waiver or amendment from the applicable lenders, an event of default would result under these agreements and under other agreements containing related cross-default provisions.

- Upon an event of default under the senior secured credit facility, the lenders could, among other things, declare outstanding amounts due and payable, refuse to lend additional amounts to us, or require us to deposit cash collateral in respect of outstanding letters of credit. If we were unable to repay or pay the amounts due, the lenders could, among other things, proceed against the collateral granted to them to secure such indebtedness, which includes certain of our domestic assets and the equity interests of certain of our domestic and foreign subsidiaries.
- Upon an event of default under the indentures, the trustee or holders of our senior unsecured notes could declare all outstanding amounts immediately due and payable.
- Upon an event of default under our trade receivables securitization facility, the lenders could, among other things, terminate the facility, declare all capital and other obligations to be immediately due and payable, replace us as servicer, take over receivables lock-box accounts and redirect the collections of domestic accounts receivable from those accounts, and exercise available rights against the domestic accounts receivable pledged by NCR Receivables, LLC.

Our cash flows may not be sufficient to service our indebtedness, and if we are unable to satisfy our obligations under our indebtedness, we may be required to seek other financing alternatives, which may not be successful. Our ability to make timely payments of principal and interest on our debt obligations depends on our ability to generate positive cash flows from operations, which is subject to general economic conditions, competitive pressures and certain financial, business and other factors beyond our control. If our cash flows and capital resources are insufficient to make these payments, we may be required to seek additional financing sources, reduce or delay capital expenditures, sell assets or operations or refinance our indebtedness. These actions could have a material adverse effect on our business, financial condition and results of operations. In addition, we may not be able to take any of these actions, and, even if successful, these actions may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our outstanding indebtedness will depend on, among other things, the condition of the capital markets and our financial condition at such time. There can be no assurance that we will be able to restructure or refinance any of our indebtedness on commercially reasonable terms or at all. If we cannot make scheduled payments on our debt, we will be in default and the outstanding principal and interest on our debt could be declared to be due and payable, in which case we could be forced into bankruptcy or liquidation or required to substantially restructure or alter our business operations or debt obligations.

Despite our current levels of debt, we may still incur substantially more debt, including secured debt, and similar liabilities, which would increase the risks described in these risk factors relating to indebtedness and repurchase obligations. The agreements relating to our debt limit but do not prohibit our ability to incur additional debt, and the amount of debt that we could incur could be substantial. In addition, certain types of liabilities are not considered “Indebtedness” under our senior secured credit facility or the indentures governing our senior unsecured notes, and the senior secured credit facility and indentures do not impose any limitation on the amount of liabilities incurred by the subsidiaries, if any, that might be designated as “unrestricted subsidiaries” (as defined in the indentures). Accordingly, we could incur significant additional debt or similar liabilities in the future, including additional debt under our senior secured credit facility, some of which could constitute secured debt. In addition, if we form or acquire any subsidiaries in the future, those subsidiaries also could incur debt or similar liabilities. If new debt or similar liabilities are added to our current debt levels, the related risks that we now face could increase.

Borrowings under our senior secured credit facility and trade receivables securitization facility bear interest at a variable rate, which subjects us to interest rate risk, which could cause our debt service obligations to increase significantly. All of our borrowings under our senior secured credit facility and trade receivables securitization facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on this variable rate indebtedness would increase even though the amount borrowed remained the same. Although we may enter into interest rate swaps or similar instruments to reduce interest rate volatility in connection with our variable rate borrowings, we cannot provide assurances that we will be able to do so or that such swaps or instruments will be effective.

We may not be able to raise the funds necessary to finance a required repurchase of our senior unsecured notes or our Series A Convertible Preferred Stock. Upon the occurrence of a change in control under the applicable indenture governing the applicable senior unsecured notes, holders of those notes may require us to repurchase their notes. On any date during the three months commencing on and immediately following March 16, 2024 and the three months commencing on and immediately following every third anniversary of such date, holders of our Series A Convertible Preferred Stock will have the right to require us to repurchase any or all of our outstanding Series A Convertible Preferred Stock. In addition, upon certain change of control events involving the Company, holders of Series A Convertible Preferred Stock can require us, subject to certain exceptions, to repurchase any or all of their Series A Convertible Preferred Stock.

It is possible that we would not have sufficient funds at the time that we are required to make any such purchase of notes or Series A Convertible Preferred Stock (or both). We cannot assure the holders of the senior unsecured notes and Series A Convertible Preferred Stock that we will have sufficient financial resources, or will be able to arrange financing, to pay the repurchase price in cash with respect to any such notes or Series A Convertible Preferred Stock that holders have requested to be repurchased upon a change in control or scheduled redemption. Our failure to repurchase the senior unsecured notes of a series when required would result in an event of default with respect to such notes which could, in turn, constitute a default under the terms of our other indebtedness, if any. If we are unable to repurchase all shares of Series A Convertible Preferred Stock that holders have requested to be purchased, then we are required to pay dividends on the shares not repurchased at a rate equal to 8.0% per annum, accruing daily from such date until the full purchase price, plus all accrued dividends, are paid in full in respect of such shares of Series A Convertible Preferred Stock.

In addition, a change in control may constitute an event of default under our senior secured credit facility and our trade receivables securitization facility that would permit the lenders to accelerate the maturity of the borrowings thereunder and would require us to make a similar change in control offer to holders of our existing senior unsecured notes.

Certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, may not constitute a change in control under the indentures governing our secured notes or the terms of our Series A Convertible Preferred Stock.

A lowering or withdrawal of the ratings assigned to our debt securities by rating agencies may increase our future borrowing costs and reduce our access to capital. Any rating assigned to our debt could be lowered or withdrawn entirely by a rating agency if, in that rating agency’s judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Any future lowering of our ratings likely would make it more difficult or more expensive for us to obtain additional debt financing.

Business Model. *If we are unsuccessful in transforming our business model, our operating results could be negatively impacted.* In recent years, we have shifted our business model to become a global technology solutions company that uses software and value-added endpoints, coupled with higher-margin services and a focus on cloud and mobile, to help our customers deliver a rich, integrated and personalized experience to consumers across commerce channels. Our success depends heavily on our ability to continue to grow our higher-margin software and services businesses. Our ability to grow these businesses depends on a number of different factors including, among others, market acceptance of our software and cloud solutions; enabling our sales force to use a consultative selling model that

better incorporates our comprehensive and new solutions; transforming our services performance, capabilities and coverage to align with and support our new solutions; managing professional services and other costs associated with large solution roll-outs; and integrating, developing and supporting software gained through acquisitions. In addition, development of these businesses may require increased capital and research and development expenses and resource allocation, and while we will seek to have the right level of investment and the right level of resources focused on these opportunities, these costs may reduce our gross margins and the return on these investments may be lower, or may develop more slowly, than we expect. In addition, we continue to pursue initiatives to expand our customer base by increasing our use of indirect sales channels, and by developing, marketing and selling solutions aimed at the small- to medium-business market. It is not yet certain whether these initiatives will yield the anticipated benefits, or whether our solutions will be compelling and attractive to small- and medium-sized businesses. If we are not successful in growing our higher-margin software and services businesses and expanding our customer base at the rate that we anticipate, we may not meet our growth and gross margin projections or expectations, and operating results could be negatively impacted.

Series A Convertible Preferred Stock. *The issuance of shares of our Series A Convertible Preferred Stock to Blackstone and certain of its permitted transferees reduces the relative voting power of holders of our common stock, and the conversion and sale of those shares would dilute the ownership of such holders and may adversely affect the market price of our common stock.* On December 4, 2015, we completed the sale of 820,000 shares of our Series A Convertible Preferred Stock to Blackstone and certain of its permitted transferees (the Blackstone Purchasers) pursuant to an Investment Agreement, dated November 11, 2015, between us and Blackstone (the Investment Agreement). As of December 31, 2016, these shares represented approximately 19% of our outstanding common stock, on an as-converted basis. Holders of Series A Convertible Preferred Stock are entitled to a cumulative dividend at the rate of 5.5% per annum, payable quarterly in arrears. The dividends are to be paid in-kind, through the issuance of additional shares of Series A Convertible Preferred Stock, for the first sixteen dividend payment dates, and thereafter in cash or in-kind at our option. If we fail to timely declare and pay a dividend, the dividend rate will increase to 8.0% per annum until such time as all accrued but unpaid dividends have been paid in full.

As holders of our Series A Convertible Preferred Stock are entitled to vote, on an as-converted basis, together with holders of our common stock on all matters submitted to a vote of the holders of our common stock, the issuance of the Series A Convertible Preferred Stock to the Blackstone Purchasers, and the subsequent issuance of additional shares of Series A Convertible Preferred Stock through the payment of dividends, effectively reduces the relative voting power of the holders of our common stock.

In addition, the conversion of the Series A Convertible Preferred Stock to common stock would dilute the ownership interest of existing holders of our common stock, and any sales in the public market of the common stock issuable upon conversion of the Series A Convertible Preferred Stock could adversely affect prevailing market prices of our common stock. Under a customary registration rights agreement, in March 2016 we registered for resale the shares of Series A Convertible Preferred Stock, and the shares of common stock issuable upon conversion of the Series A Convertible Preferred Stock. The registration of these securities for resale will facilitate the resale of such securities into the public market, and any such resale would increase the number of shares of our common stock available for public trading. Sales by the Blackstone Purchasers of a substantial number of shares of our common stock in the public market, or the perception that such sales might occur, could have a material adverse effect on the price of our common stock.

The Blackstone Purchasers may exercise influence over us, including through their ability to designate and the ability of the Series A Convertible Preferred Stock holders to elect up to two members of our Board of Directors. As of December 31, 2016, the outstanding shares of our Series A Convertible Preferred Stock represented approximately 19% of our outstanding common stock, on an as-converted basis. In addition, the terms of the Investment Agreement and of the Series A Convertible Preferred Stock grant the Blackstone Purchasers consent rights, directly or through their ownership of the Series A Convertible Preferred Stock, with respect to certain actions by us, including:

- amending our organizational documents in a manner that would have an adverse effect on the Series A Convertible Preferred Stock;
- issuing securities that are senior to, or equal in priority with, the Series A Convertible Preferred Stock;
- entering into material transactions with related parties, or repurchasing or redeeming shares of common stock from related parties, subject to certain exceptions; and
- increasing or decreasing the maximum number of directors on our Board to more than eleven persons or to such number as would require the resignation of one of the directors nominated by Blackstone.

The Investment Agreement also imposes a number of affirmative and negative covenants on us. As a result, the Blackstone Purchasers have the ability to influence the outcome of any matter submitted for the vote of the holders of our common stock. Blackstone and its affiliates are in the business of making or advising on investments in companies, including businesses that may directly or indirectly

compete with certain portions of our business, and they may have interests that diverge from, or even conflict with, those of our other stockholders. They may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

In addition, the terms of the Investment Agreement and of the Series A Convertible Preferred Stock grant the Blackstone Purchasers certain rights to designate directors to serve on our Board, which directors are elected by a separate class vote of the holders of the Series A Convertible Preferred Stock. For so long as the Blackstone Purchasers beneficially own shares of Series A Convertible Preferred Stock (and/or shares of common stock issued upon conversion of Series A Convertible Preferred Stock) that represent, on an as-converted basis, at least 50% of the Blackstone Purchasers' initial shares of Series A Convertible Preferred Stock on an as-converted basis, the Blackstone Purchasers have the right to designate two directors for election to our Board. For so long as the Blackstone Purchasers beneficially own shares of Series A Convertible Preferred Stock (and/or shares of common stock issued upon conversion of Series A Convertible Preferred Stock) that represent, on an as-converted basis, at least 25% but less than 50% of Blackstone's initial shares of Series A Convertible Preferred Stock on an as-converted basis, the Blackstone Purchasers will have the right to designate one director for election to our Board.

The directors designated by the Blackstone Purchasers also are entitled to serve on committees of our Board, subject to applicable law and stock exchange rules. Notwithstanding the fact that all directors will be subject to fiduciary duties to us and to applicable law, the interests of the directors designated by the Blackstone Purchasers may differ from the interests of our security holders as a whole or of our other directors.

Our Series A Convertible Preferred Stock has rights, preferences and privileges that are not held by, and are preferential to, the rights of our common stockholders, which could adversely affect our liquidity and financial condition, and may result in the interests of the Blackstone Purchasers differing from those of our common stockholders. As holders of Series A Convertible Preferred Stock, the Blackstone Purchasers have the right to receive a liquidation preference entitling them to be paid out of our assets available for distribution to stockholders before any payment may be made to holders of any other class or series of capital stock, an amount equal to the greater of (a) 100% of the liquidation preference thereof plus all accrued dividends or (b) the amount that such holder would have been entitled to receive upon our liquidation, dissolution and winding up if all outstanding shares of Series A Convertible Preferred Stock had been converted into common stock immediately prior to such liquidation, dissolution or winding up.

In addition, dividends on the Series A Convertible Preferred Stock accrue and are cumulative at the rate of 5.5% per annum, payable quarterly in arrears. If we fail to timely declare and pay a dividend, the dividend rate will increase to 8.0% per annum until such time as all accrued but unpaid dividends have been paid in full. The dividends are to be paid in kind, through the issuance of additional shares of Series A Convertible Preferred Stock, for the first sixteen dividend payment dates, and thereafter in cash or in-kind at our option.

The holders of our Series A Convertible Preferred Stock also have certain redemption rights or put rights, including the right to require us to repurchase all or any portion of the Series A Convertible Preferred Stock on any date during the three months commencing on and immediately following March 16, 2024 and the three months commencing on and immediately following every third anniversary of such date, at 100% of the liquidation preference thereof plus all accrued but unpaid dividends, and the right, subject to certain exceptions, to require us to repurchase all or any portion of the Series A Convertible Preferred Stock upon certain change of control events at the greater of (a) 100% of the liquidation preference thereof plus all accrued but unpaid dividends and (b) the consideration the holders would have received if they had converted their shares of Series A Convertible Preferred Stock into common stock immediately prior to the change of control event.

These dividend and share repurchase obligations could impact our liquidity and reduce the amount of cash flows available for working capital, capital expenditures, growth opportunities, acquisitions, and other general corporate purposes. Our obligations to the holders of Series A Convertible Preferred Stock could also limit our ability to obtain additional financing or increase our borrowing costs, which could have an adverse effect on our financial condition. The preferential rights could also result in divergent interests between the Blackstone Purchasers and holders of our common stock.

Data Privacy and Cybersecurity. *Cybersecurity and data privacy issues could negatively impact our business.* Our products and services, including our cloud and hosted solutions, facilitate financial and other transactions for the customers in the industries we serve. As a result, we collect, use, transmit and store certain of the transaction and personal information of our customers and the end-users of our solutions. We also may have access to transaction and personal information of our customers and their customers through or in the course of servicing our products or third party products. Additionally, we collect, use and store personal information of our employees and the personnel of our business partners, such as resellers, suppliers and contractors, in the ordinary course of business. While we have programs and measures in place designed to safeguard this data, and while we have implemented access controls designed to limit the risk of unauthorized use or disclosure by employees and contractors, the techniques used to obtain unauthorized

access to this data are complex and changing, and may be difficult to detect for long periods of time. An attack, disruption, intrusion, denial of service, theft or other breach, or an inadvertent act by an employee or contractor, could result in unauthorized access to, or disclosure of, this data, resulting in claims, costs and reputational harm that could materially and adversely affect our operating results. We may also detect, or may receive notice from third parties (including governmental agencies) regarding potential vulnerabilities in our information technology systems, our products, or third party products used in conjunction with our products. Even if these potential vulnerabilities do not result in a data breach, their existence can adversely affect customer confidence and our reputation in the marketplace. To the extent such vulnerabilities require remediation, such remedial measures could require significant resources and may not be implemented before such vulnerabilities are exploited. As the cybersecurity landscape evolves, we may also find it necessary to make significant further investments to protect data and infrastructure. Additionally, we may be subject to the data security and data privacy laws of many jurisdictions, some of which may conflict with one another, and many of which are subject to frequent modification.

Product Defects and Errors. *Defects, errors, installation difficulties or development delays could expose us to potential liability, harm our reputation and negatively impact our business.* Many of our products are sophisticated and complex, and may incorporate third-party hardware and software. Despite testing and quality control, we cannot be certain that defects or errors will not be found in our products. If our products contain undetected defects or errors, or otherwise fail to meet our customers' expectations, we could face the loss of customers, liability exposure and additional development costs. If defects or errors delay product installation or make it more difficult, we could experience delays in customer acceptance, or if our products require significant amounts of customer support, it could result in incremental costs to us. In addition, our customers who license and deploy our software may do so in both standard and non-standard configurations in different environments with different computer platforms, system management software and equipment and networking configurations, which may increase the likelihood of technical difficulties. Our products may be integrated with other components or software, and, in the event that there are defects or errors, it may be difficult to determine the origin of such defects or errors. Additionally, damage to, or failure or unavailability of, any significant aspect of our cloud hosting facilities could interrupt the availability of our cloud offerings, which could cause disruption for our customers, and, in turn, their customers, and expose us to liability. If any of these risks materialize, they could result in additional costs and expenses, exposure to liability claims, diversion of technical and other resources to engage in remediation efforts, loss of customers or negative publicity, each of which could impact our business and operating results.

Disruptions in our data center hosting facilities could adversely affect our business. Our software products are increasingly being offered and provided on a cloud or other hosted basis through data centers operated by the Company or third parties in the United States and other countries. In addition, certain of the applications and data that we use in our services offerings and our operations may be hosted or stored at such facilities. These facilities may be vulnerable to natural disasters, telecommunications failures and similar events, or to intentional acts of misconduct, such as security breaches or attacks. The occurrence of any of these events or acts, or any other unanticipated problems, at these facilities could result in damage to or the unavailability of these cloud hosting facilities. Such damage or unavailability could, despite existing disaster recovery and business continuity arrangements, interrupt the availability of our cloud offerings for our customers. We have from time to time experienced such interruptions and they may occur in the future. In addition, any such damage or unavailability could interrupt the availability of applications or data necessary to provide services or conduct critical operations. Interruptions in the availability of our cloud offerings or our ability to service our customers could result in the failure to meet contracted up-time or service levels, which could cause us to issue credits or pay penalties, or cause customers to terminate or not renew subscriptions. Interruptions could also expose us to liability claims, negative publicity and the need to engage in costly remediation efforts, any of which could impact our business and reduce our revenue.

Operating Results Fluctuations. *Our revenue, operating results, and margins could fluctuate for a number of reasons, including those described below:*

Foreign Currency. Our revenue and operating income are subject to variability due to the effects of foreign currency fluctuations against the U.S. Dollar. Overall, we have exposure to approximately 50 functional currencies. We pay the majority of expenses attributable to our foreign operations in the functional currency of the country in which such operations are conducted, and in 2016 a significant portion of our revenue was generated in currencies other than the U.S. Dollar. As a result, significant currency fluctuations could adversely affect our results of operations, including sales and gross margins. For example, an increase in the value of the U.S. Dollar relative to foreign currencies, which continued during 2016, could result in lower revenue and increased losses from currency exchange rates. We endeavor to mitigate some of the effects of currency fluctuations with our hedging strategies; however, the volatility of foreign currency exchange rates is dependent on many factors that cannot be forecasted with reliable accuracy and our derivative instruments may not prove effective in reducing our exposures.

Manufacturing. At December 31, 2016, we manufactured our ATMs in facilities located in Columbus, Georgia, USA; Manaus, Brazil; Budapest, Hungary; Beijing, China; Puducherry, India and Chengalpattu, India. Our self-checkout solutions are manufactured in facilities located in Columbus, Georgia, USA and Budapest, Hungary. Our financial kiosk solutions are manufactured in facilities located in Beijing, China; Budapest, Hungary; Manaus, Brazil; Puducherry, India and Chengalpattu, India. Our POS terminals are

manufactured in facilities located in Columbus, Georgia, USA; Beijing, China; Budapest, Hungary; Salzburg, Austria; and Adelaide, Australia, and certain hand-held solutions are manufactured in Salzburg, Austria. NCR outsources the manufacturing in all geographic regions of its payment solutions, some POS terminals, printers, bar code scanners and various other kiosks.

Seasonality. Our sales are historically seasonal, with lower revenue in the first quarter and higher revenue in the fourth quarter of each year. Such seasonality also causes our working capital cash flow requirements to vary from quarter to quarter depending on the variability in the volume, timing and mix of product sales. In addition, revenue in the third month of each quarter is typically higher than in the first and second months, particularly as our business model shifts to include more software and cloud solutions. These factors, among other things, may adversely affect our ability to manage working capital, make our forecasting process more difficult and impact our ability to predict financial results accurately.

Cost/Expense Reductions. Our success in achieving targeted cost and expense reductions through our continuous improvement and other similar programs depends on a number of factors, including our ability to achieve infrastructure rationalizations, drive lower component and product development costs, improve supply chain efficiencies and optimize the efficiency of our customer services and professional services consulting resources. If we do not successfully execute on our cost and expense reduction initiatives or if we experience delays in completing the implementation of these initiatives, our results of operations or financial condition could be adversely affected.

Contractual Obligations for Professional Services. Our contracts for professional services consulting work may contemplate that services will be performed over multiple periods, especially in connection with large solution roll-outs. Our profitability under those contracts is largely a function of performing our contractual obligations within the estimated costs and time periods specified. If we exceed these estimated costs or cannot otherwise complete the contracted services within the specified periods, our profitability related to these contracts could be negatively impacted. In addition, if we are unable to maintain appropriate utilization rates for our consultants, we may not be able to sustain profitability on these contracts.

Acquisitions, Divestitures and Alliances. As we selectively acquire and divest technologies, products and businesses and we begin to include or exclude, as the case may be, the financial results related to these transactions, our operating results could fluctuate materially, depending on the size, nature, structure and timing of the transactions.

Underfunded Pension Obligation. At December 31, 2016, our obligation for benefits under our pension plans was \$3,357 million and our pension plan assets totaled \$2,700 million, which resulted in an underfunded pension obligation of \$657 million. While we rebalanced our U.S. and international plan assets in order to reduce volatility and made several discretionary contributions to our pension plans, our remaining underfunded pension obligation continues to require ongoing cash contributions. Our underfunded pension obligation also may be affected by future transfers and settlements relating to our international pension plans. For example, in 2015 we completed the transfer of our U.K. London pension plan to an insurer. The pension plan was overfunded, and the transfer resulted in a settlement loss of \$427 million in the second quarter of 2015, and an offsetting decrease to prepaid pension costs in our consolidated balance sheet.

In addition, certain of the plan assets remain subject to financial market risk, and our actuarial and other assumptions underlying our expected future benefit payments, long-term expected rate of return and future funding expectations for our plans depend on, among other things, interest rate levels and trends and capital market expectations. Further volatility in the performance of financial markets, changes in any of these actuarial assumptions (including those described in our “Critical Accounting Policies and Estimates” section of the “Management's Discussion and Analysis of Financial Condition and Results of Operations” included in Item 7 of Part II of this Report) or changes in regulations regarding funding requirements could require material increases to our expected cash contributions to our pension plans in future years.

See the “Effects of Pension, Postemployment and Postretirement Benefit Plans” and “Financial Condition, Liquidity And Capital Resources” sections of the “Management's Discussion and Analysis of Financial Condition and Results of Operations” included in Item 7 of Part II of this Report and Note 9, “Employee Benefit Plans” in the Notes to the Consolidated Financial Statements included in Item 8 of Part II of this Report for further information regarding the funded status of our pension plans and potential future cash contributions.

Stock-based Compensation. Similar to other companies, we use stock awards as a form of compensation for certain employees and non-employee directors. All stock-based awards are required to be recognized in our financial statements based on their fair values. The amount recognized for stock compensation expense could vary depending on a number of assumptions or changes that may occur. For example, assumptions such as the risk-free rate, expected holding period and expected volatility that drive our valuation model could change. Other examples that could have an impact include changes in the mix and type of awards, changes in our compensation

plans or tax rate, changes in our forfeiture rate, differences in actual results compared to management's estimates for performance-based awards or an unusually high amount of expirations of stock awards.

Income Taxes. We are a United States based multinational company subject to income taxes in the United States and a number of foreign jurisdictions. Our domestic and international tax liabilities are dependent on the distribution of our earnings among these different jurisdictions, and our provision for income taxes and cash tax liability could be adversely affected if the distribution of earnings is higher than expected in jurisdictions with higher statutory tax rates.

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Our deferred tax assets, net of valuation allowances, totaled approximately \$840 million and \$868 million at December 31, 2016 and 2015, respectively. We regularly review our deferred tax assets for recoverability and establish a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. If we are unable to generate sufficient future taxable income, if there is a material change in the actual effective tax rates or if there is a change to the time period within which the underlying temporary differences become taxable or deductible, then we could be required to increase our valuation allowance against our deferred tax assets, which could result in a material increase in our effective tax rate.

In addition, changes in U.S. or foreign tax laws or tax rulings could affect our financial position and results of operations. For example, the U.S. is considering comprehensive corporate tax reform, including with respect to the corporate statutory tax rate and the elimination of certain corporate deductions and exclusions. These reforms could significantly change the corporate tax rate in the U.S. and international tax rules. Additionally, in light of continuing global fiscal challenges, various levels of government and international organizations such as the Organization for Economic Co-operation and Development (OECD) and European Union (EU) are increasingly focused on tax reform and other legislative or regulatory action to increase tax revenue. These tax reform efforts, such as the OECD-led Based Erosion and Profit Sharing project (BEPS), are designed to ensure that corporate entities are taxed on a larger percentage of their earnings. Although some countries have passed tax laws based on findings from the BEPS project, the final nature, timing and extent of any such tax reforms or other legislative or regulatory actions is unpredictable, and it is difficult to assess their overall effect. But, these changes could increase our effective tax rate and adversely impact our financial results.

We are also subject to ongoing audits of our income tax returns in various jurisdictions both in the U.S. and internationally. While we believe that our tax positions will be sustained, the outcomes of such audits could result in the assessment of additional taxes, which could adversely impact our cash flows and financial results.

Competition. *If we do not compete effectively within the technology industry, we will not be successful.* We operate in the intensely competitive information technology industry. This industry is characterized by rapidly changing technology, evolving industry standards, frequent new product introductions, price and cost reductions, and increasingly greater commoditization of products, making differentiation difficult. Our competitors include other large companies in the information technology industry, such as: Hewlett-Packard Inc., Diebold Nixdorf, Nautilus Hyosung, ToshibaTec, Micros (Oracle), Fujitsu, Q2 Holdings and ACI Worldwide, some of which have more financial and technical resources, or more widespread distribution and market penetration for their platforms and service offerings, than we do. In addition, we compete with companies in specific industry segments, such as entry-level ATMs, point-of-sale devices and imaging solutions. Our future competitive performance and market position depend on a number of factors, including our ability to:

- react to competitive product and pricing pressures;
- penetrate and meet the changing competitive requirements and deliverables in developing and emerging markets, such as India, China, Brazil and Russia;
- exploit opportunities in emerging vertical markets, such as travel and telecommunications and technology;
- cross-sell additional products and services to our existing customer base;
- rapidly and continually design, develop and market, or otherwise maintain and introduce innovative solutions and related products and services for our customers that are competitive in the marketplace;
- react on a timely basis to shifts in market demands, including shifts toward the desire of banks and retailers to provide an omni-channel experience to their customers and the use of mobile devices in transactions and payments;
- compete in reverse auctions for new and continuing business;
- reduce costs without creating operating inefficiencies or impairing product or service quality;
- maintain competitive operating margins;
- improve product and service delivery quality; and

- effectively market and sell all of our diverse solutions.

Our business and operating performance also could be impacted by external competitive pressures, such as consolidation, increasing price erosion and the entry of new competitors into our existing product and geographic markets. In addition, our customers sometimes finance our product sales through third party financing companies, and in the case of customer default, these financing companies may be forced to resell this equipment at discounted prices, competing with us and impacting our ability to sell incremental units. The impact of these product and pricing pressures could include lower customer satisfaction, decreased demand for our solutions, loss of market share and reduction of operating profits.

Introduction of New Solutions. *If we do not swiftly and successfully develop and introduce new solutions in the competitive, rapidly changing environment in which we do business, our business results will be impacted.* The development process for our solutions requires high levels of innovation from our product development teams and suppliers of the components embedded or incorporated in our solutions. In addition, certain of our solutions, including our cloud solutions, may require us to build, lease or expand, and maintain, infrastructure (such as hosting centers) to support them. The development process also can be lengthy and costly, and requires us to commit a significant amount of resources to bring our business solutions to market. We may not be able to anticipate our customers' needs and technological and industry trends accurately, or to complete development of new solutions efficiently. In addition, contract terms, market conditions or customer preferences may affect our ability to limit, sunset or end-of-life our older products in a timely or cost-effective fashion. If any of these risks materialize, we may be unable to introduce new solutions into the market on a timely basis, if at all, and our business and operating results could be impacted. Likewise, we sometimes make assurances to customers regarding the operability and specifications of new technologies, and our results could be impacted if we are unable to deliver such technologies, or if such technologies do not perform as planned. Once we have developed new solutions, if we cannot successfully market and sell those solutions, our business and operating results could be impacted.

Multinational Operations. *Our multinational operations, including in new and emerging markets, expose us to business and legal risks.* For the years ended December 31, 2016 and 2015, the percentage of our revenue from outside of the United States was 53% and 54%, respectively, and we expect our percentage of revenue generated outside the United States to continue to be significant. In addition, we continue to seek to further penetrate existing international markets, and to identify opportunities to enter into or expand our presence in developing and emerging markets, including Brazil, Russia, China, India, Africa, and the Middle East, among others. While we believe that our geographic diversity may help to mitigate some risks associated with geographic concentrations of operations, our ability to manufacture and sell our solutions internationally, including in new and emerging markets, is subject to risks, which include, among others:

- the impact of ongoing and future economic, credit and sovereign debt conditions on the stability of national and regional economies and industries within those economies;
- political conditions and local regulations that could adversely affect demand for our solutions, our ability to access funds and resources, or our ability to sell products in these markets;
- the impact of a downturn in the global economy, or in regional economies, on demand for our products;
- currency exchange rate fluctuations that could result in lower demand for our products as well as generate currency translation losses;
- limited availability of local currencies to pay vendors, employees and third parties and to distribute funds outside of the country;
- changes to global or regional trade agreements that could limit our ability to sell products in these markets;
- the imposition of import or export tariffs, border adjustment taxes, trade policies or import and export controls that could increase the expense of, or limit demand for our products;
- changes to and compliance with a variety of laws and regulations that may increase our cost of doing business or otherwise prevent us from effectively competing internationally;
- government uncertainty or limitations on the ability to enforce legal rights and remedies, including as a result of new, or changes to, laws and regulations;
- reduced protection for intellectual property rights in certain countries;
- implementing and managing systems, procedures and controls to monitor our operations in foreign markets;
- changing competitive requirements and deliverables in developing and emerging markets;
- longer collection cycles and the financial viability and reliability of contracting partners and customers;
- managing a geographically dispersed workforce, work stoppages and other labor conditions or issues;
- disruptions in transportation and shipping infrastructure; and

- the impact of civil unrest relating to war and terrorist activity on the economy or markets in general, or on our ability, or that of our suppliers, to meet commitments.

In addition, as a result of our revenue generated outside of the United States, the amount of cash and cash equivalents that is held by our foreign subsidiaries continues to be significant. If these cash and cash equivalents are distributed to the United States, whether in the form of dividends or otherwise, we may be subject to additional U.S. income taxes and foreign withholding taxes. Any such taxes would reduce the amount of such cash and cash equivalents that are available for our use.

Environmental. *Our historical and ongoing manufacturing activities subject us to environmental exposures.* Our facilities and operations are subject to a wide range of environmental protection laws, and we have investigatory and remedial activities underway at a number of facilities that we currently own or operate, or formerly owned or operated, to comply, or to determine compliance, with such laws. In addition, our products are subject to environmental laws in a number of jurisdictions. Given the uncertainties inherent in such activities, there can be no assurances that the costs required to comply with applicable environmental laws will not impact future operating results. We have also been identified as a potentially responsible party in connection with certain environmental matters, including the Fox River and Kalamazoo River matters, as further described in Note 10, "Commitments and Contingencies" and Note 18, "Subsequent Events" of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Report; in "Environmental Matters" within Item 1 of Part I of this Report; and in "Environmental and Legal Contingencies" within the "Critical Accounting Policies and Estimates" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 of Part II of this Report, and we incorporate such disclosures by reference and make them a part of this discussion of risk factors.

Acquisitions, Divestitures and Alliances. *If we do not successfully integrate acquisitions or effectively manage alliance activities, we may not drive future growth.* As part of our overall solutions strategy, we have made, and intend to continue to make, investments in companies, products, services and technologies, either through acquisitions, investments, joint ventures or strategic alliances. Acquisitions and alliance activities inherently involve risks. The risks we may encounter include those associated with:

- assimilating and integrating different business operations, corporate cultures, personnel, infrastructures (such as data centers) and technologies or products acquired or licensed;
- the potential for unknown liabilities within the acquired or combined business; and
- the possibility of conflict with joint venture or alliance partners regarding strategic direction, prioritization of objectives and goals, governance matters or operations.

Further, we may make acquisitions and investments in order to acquire or obtain access to new technology or products that expand our offerings. There is risk that the new technology or products may not perform as anticipated and may not meet estimated growth projections or expectations, or investment recipients may not successfully execute their business plans. There is also risk that key employees of an acquired business may not remain with us as long as expected. In the event that these risks materialize, we may not be able to fully realize the benefit of our investments, and our operating results could be adversely affected. An acquisition or alliance, and the integration of an acquired business, may also disrupt our ongoing business or we may not be able to successfully incorporate acquired products, services or technologies into our solutions and maintain quality. Further, we may not achieve the projected synergies once we have integrated the business into our operations, which may lead to additional costs not anticipated at the time of acquisition.

Circumstances associated with divestitures could adversely affect our results of operations and financial condition. In May 2016, we completed the sale of most of the assets of our Interactive Printer Solutions (IPS) business to Atlas Holdings, LLC, and in June 2012 we completed the divestiture of our entertainment business to Redbox Automated Retail, LLC. We continue to evaluate the strategic fit of our other businesses and products and may decide to sell a business or product based on such an evaluation. Despite a decision to divest a business or product, we may encounter difficulty in finding buyers or executing alternative exit strategies at acceptable prices and terms and in a timely manner. In addition, prospective buyers may have difficulty obtaining financing. Divestitures, including the divestiture of the IPS business, could involve additional risks, including:

- difficulties in the separation of operations, services, products and personnel;
- the need to provide significant ongoing post-closing transition support to a buyer;
- the diversion of management's attention from other business concerns;
- the retention of certain current or future liabilities in order to induce a buyer to complete a divestiture;
- the obligation to indemnify or reimburse a buyer for certain past liabilities of a divested business;

- the disruption of our business; and
- the potential loss of key employees.

We may not be successful in managing these or any other significant risks that we may encounter in divesting a business or product, which could have a material adverse effect on our business.

Intellectual Property. *Our continuing ability to be a leading technology and services solutions provider could be negatively affected if we do not protect intellectual property that drives innovation.* It is critical to our continued development of leading technologies that we are able to protect and enhance our proprietary rights in our intellectual property through patent, copyright, trademark and trade secret laws. These efforts include protection of the products and the application, diagnostic and other software we develop. To the extent we are not successful in protecting our proprietary rights, our business could be adversely impacted. Also, many of our offerings rely on technologies developed by others, and if we are unable to continue to obtain licenses for such technologies, our business could be adversely impacted. From time to time, we receive notices from third parties regarding patent and other intellectual property claims. Whether such claims have merit, they may require significant resources to defend. If an infringement claim is successful and we are required to pay damages, or we are unable to license the infringed technology or to substitute similar non-infringing technology, our business could be adversely affected.

Work Environment. *Continuous improvement, customer experience, restructuring and cost reduction initiatives could negatively impact productivity and business results.* In the past, we have undertaken restructuring plans, and, in addition, as part of our ongoing efforts to optimize our cost structure, from time to time, we shift and realign our internal organizational structure and resources. These activities could temporarily result in reduced productivity levels. If we are not able to timely execute on these initiatives, or if the costs to complete these initiatives is higher than anticipated, our results of operations or financial condition could be adversely affected. In addition to these initiatives, we have initiatives to grow and expand our software business, enable our sales force to better sell our solutions, invest in our software and cloud solutions and improve the experience of our customers. We typically have many such initiatives underway. If we are not successful in implementing and managing these various initiatives and minimizing any resulting loss in productivity, we may not be able to achieve targeted cost savings or productivity gains, and our business and operating results could be negatively impacted.

We have also announced a plan to relocate our world headquarters, and from time to time we may undertake similar projects with respect to our office, manufacturing or other facilities. Implementation of relocation plans such as these could result in business disruption due to a lack of business continuity, which, among other things, could have a negative impact on our productivity and business and operating results.

If we do not attract and retain quality employees, we may not be able to meet our business objectives. Our employees are vital to our success, including the successful transformation of the Company into a software and solutions driven business. Our ability to attract and retain highly skilled software development, technical, sales, consulting and other key personnel, including key personnel of acquired businesses, is critical, as these key employees are difficult to replace. If we are unable to attract or retain highly qualified employees by offering competitive compensation, secure work environments and leadership opportunities now and in the future, our business and operating results could be negatively impacted.

Our ability to effectively manage our business could be negatively impacted if we do not invest in and maintain reliable technology infrastructure and information systems. It is periodically necessary to add to, replace, upgrade or modify our technology infrastructure and internal information systems. If we are unable to expand, replace, upgrade or modify such systems in a timely and cost-effective manner, especially in light of demands on our information technology resources, our ability to capture and process financial transactions and, therefore, our financial condition, results of operations, or ability to comply with legal and regulatory reporting obligations, may be negatively impacted.

Reliance on Third Parties. *If third party suppliers upon which we rely are not able to fulfill our needs, our ability to bring our products to market in a timely fashion could be affected.* In most cases, there are a number of vendors providing the services and producing the parts and components that we utilize in or in connection with our products. However, there are some services and components that are licensed or purchased from single sources due to price, quality, technology, functionality or other reasons. For example, we depend on transaction processing services from Accenture, computer chips and microprocessors from Intel and operating systems from Microsoft. Certain parts and components used in the manufacturing of our ATMs and the delivery of many of our retail solutions are also supplied by single sources. In addition, there are a number of key suppliers for our businesses that provide us with critical products for our solutions. If we were unable to secure the necessary services, including contract manufacturing, parts, software, components or products from a particular vendor, and we had to find an alternative supplier, our new and existing product shipments and solution deliveries, or the provision of contracted services, could be delayed, impacting our business and operating results.

We have, from time to time, formed alliances with third parties that have complementary products, software, services and skills. These alliances represent many different types of relationships, such as outsourcing arrangements to manufacture hardware and subcontract agreements with third parties to perform services and provide products and software to our customers in connection with our solutions. For example, we rely on third parties for cash replenishment services for our ATM products. These alliances introduce risks that we cannot control, such as nonperformance by third parties and difficulties with or delays in integrating elements provided by third parties into our solutions. Lack of information technology infrastructure, shortages in business capitalization, and manual processes and data integrity issues of smaller suppliers can also create product time delays, inventory and invoicing problems, staging delays, as well as other operating issues. The failure of third parties to provide high-quality products or services that conform to required specifications or contractual arrangements could impair the delivery of our solutions on a timely basis, create exposure for non-compliance with our contractual commitments to our customers and impact our business and operating results. Also, some of these third parties have access to confidential NCR and customer data, the integrity and security of which are of significant importance to the Company.

Internal Controls. *If we do not maintain effective internal controls, accounting policies, practices, and information systems necessary to ensure reliable reporting of our results, our ability to comply with our legal obligations could be negatively affected.* Our internal controls, accounting policies and practices, and internal information systems enable us to capture and process transactions in a timely and accurate manner in compliance with applicable accounting standards, laws and regulations, taxation requirements and federal securities laws and regulations. Our internal controls and policies are being closely monitored by management as we continue to implement a worldwide Enterprise Resource Planning (ERP) system. While we believe these controls, policies, practices and systems are adequate to ensure data integrity, unanticipated and unauthorized actions of employees or contractors (both domestic and international), temporary lapses in internal controls due to shortfalls in transition planning and oversight, or resource constraints, could lead to improprieties and undetected errors that could impact our financial condition, results of operations, or compliance with legal obligations. Moreover, while management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2016 (as set forth in "Management's Report on Internal Control over Financial Reporting" included in Item 9A of Part II of this Report), due to their inherent limitations, such controls may not prevent or detect misstatements in our reported financial statements. Such limitations include, among other things, the potential for human error or circumvention of controls. Further, the Company's internal control over financial reporting is subject to the risk that controls may become inadequate because of a failure to remediate control deficiencies, changes in conditions or a deterioration of the degree of compliance with established policies and procedures.

Contingencies. *We face uncertainties with regard to regulations, lawsuits and other related matters.* In the normal course of business, we are subject to proceedings, lawsuits, claims and other matters, including, for example, those that relate to the environment, health and safety, labor and employment, employee benefits, import/export compliance, intellectual property, data privacy and security, product liability, commercial disputes and regulatory compliance, among others. Because such matters are subject to many uncertainties, their outcomes are not predictable and we must make certain estimates and assumptions in our financial statements. While we believe that amounts provided in our Consolidated Financial Statements with respect to such matters are currently adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to satisfy alleged liabilities from such matters will not impact future operating results. Additionally, we are subject to diverse and complex laws and regulations, including those relating to corporate governance, public disclosure and reporting, environmental safety and the discharge of materials into the environment, product safety, import and export compliance, data privacy and security, antitrust and competition, government contracting, anti-corruption, and labor and human resources, which are rapidly changing and subject to many possible changes in the future. Compliance with these laws and regulations, including changes in accounting standards, taxation requirements, and federal securities laws among others, may create a substantial burden on us, and substantially increase costs to our organization or could have an impact on our future operating results.

Additionally, doing business on a worldwide basis requires us and our subsidiaries to comply with the laws and regulations of the U.S. government and various international jurisdictions. For example, our international operations are subject to U.S. and foreign anti-corruption laws and regulations, such as the Foreign Corrupt Practices Act (FCPA), which generally prohibits U.S. companies or agents acting on behalf of such companies from making improper payments to foreign officials for the purpose of obtaining or keeping business. Our international operations are also subject to economic sanction programs administered by the U.S. Treasury Department's Office of Foreign Assets Control (OFAC). If we are not in compliance with such laws and regulations, we may be subject to criminal and civil penalties, which may cause harm to our reputation and to our brand and could have an adverse effect on our business, financial condition and results of operations. See Note 10, "Commitments and Contingencies" of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Report for information regarding our FCPA and OFAC investigations, which disclosures are incorporated by reference and made a part of this discussion of risk factors.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

As of December 31, 2016, NCR operated 218 facilities consisting of approximately 5.9 million square feet in 62 countries throughout the world. On a square footage basis, 24% of these facilities are owned and 76% are leased. Within the total facility portfolio, NCR operates 16 research and development and manufacturing facilities totaling 1.5 million square feet, 65% of which is leased. The remaining 4.4 million square feet of space includes office, repair, and warehousing space and other miscellaneous sites, and is 80% leased. NCR also owns 8 land parcels totaling 3.0 million square feet in 3 countries.

NCR is headquartered in Duluth, Georgia, USA. Our address at our corporate headquarters is 3097 Satellite Boulevard, Duluth, Georgia, 30096, USA.

Item 3. LEGAL PROCEEDINGS

Information regarding legal proceedings is included in Item 8 of Part II of this Report as part of Note 10, "Commitments and Contingencies" of the Notes to Consolidated Financial Statements and is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

NCR common stock is listed on the New York Stock Exchange (NYSE) and trades under the symbol “NCR”. There were approximately 95,884 holders of NCR common stock as of February 15, 2017. The following table presents the high and low per share prices for NCR common stock for each quarter of 2016 and 2015 as reported on the NYSE.

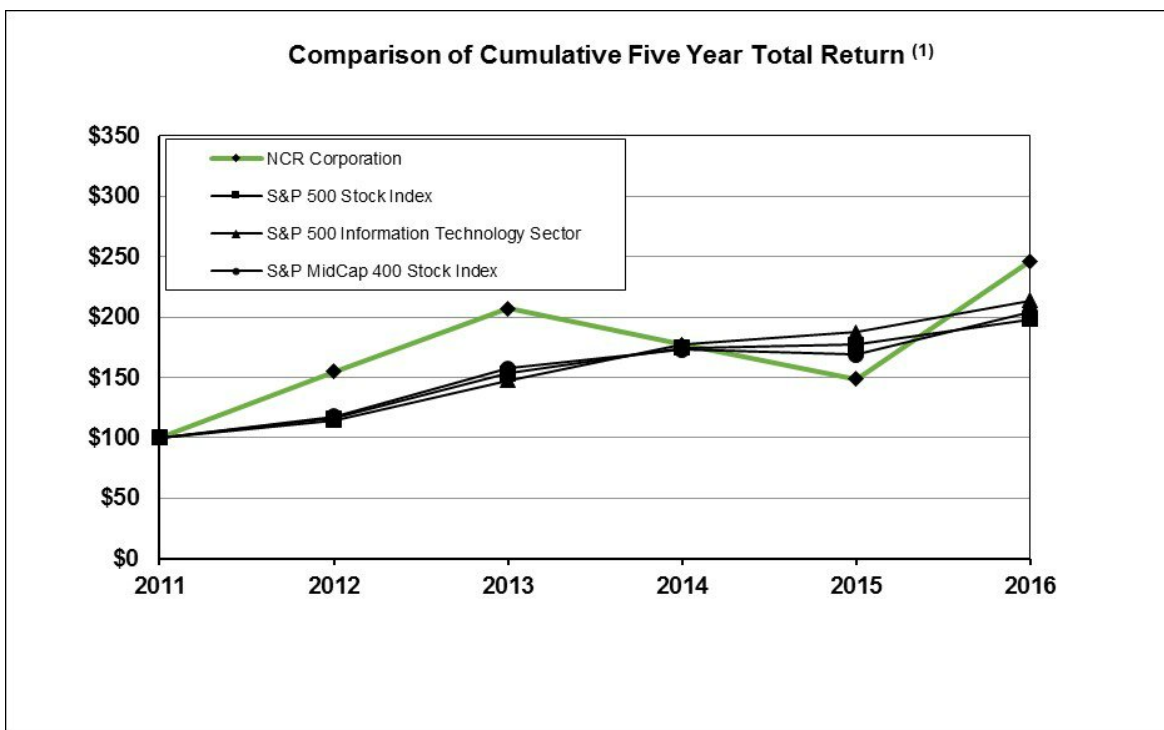
	2016			2015	
	High	Low		High	Low
1st quarter	\$ 30.14	\$ 18.02	1st quarter	\$ 30.86	\$ 24.83
2nd quarter	\$ 31.84	\$ 25.20	2nd quarter	\$ 36.50	\$ 27.27
3rd quarter	\$ 34.99	\$ 26.21	3rd quarter	\$ 32.09	\$ 21.79
4th quarter	\$ 42.07	\$ 29.83	4th quarter	\$ 27.80	\$ 22.52

Dividends

Historically NCR has not paid cash dividends and does not anticipate the payment of cash dividends on NCR common stock in the immediate future. The declaration of dividends is restricted under our senior secured credit facility and the terms of the indentures for our senior unsecured notes, and would be further subject to the discretion of NCR’s Board of Directors.

Stock Performance Graph

The following graph compares the relative investment performance of NCR stock, the Standard & Poor’s MidCap 400 Stock Index, Standard & Poor’s 500 Information Technology Sector and the Standard & Poor’s 500 Stock Index. This graph covers the five-year period from December 31, 2011 through December 31, 2016.



<u>Company / Index</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
NCR Corporation	\$ 155	\$ 207	\$ 117	\$ 149	\$ 246
S&P 500 Stock Index	\$ 116	\$ 154	\$ 175	\$ 177	\$ 198
S&P 500 Information Technology Sector	\$ 115	\$ 147	\$ 177	\$ 188	\$ 214
S&P MidCap 400 Stock Index	\$ 118	\$ 157	\$ 173	\$ 169	\$ 204

⁽¹⁾ In each case, assumes a \$100 investment on December 31, 2011, and reinvestment of all dividends, if any.

Purchase of Company Common Stock

On July 20, 2016, the Board authorized a share repurchase program that provides for the repurchase of up to \$300 million of the Company's common stock, with no expiration from the date of authorization. This share repurchase program replaced the Company's October 1999 Board of Directors share repurchase program. The timing and amount of repurchases under this new program depend upon market conditions and may be made from time to time in open market purchases, privately negotiated transactions, accelerated stock repurchase programs, issuer self-tender offers or otherwise. The repurchases will be made in compliance with applicable securities laws and may be discontinued at any time. As of December 31, 2016, this program had \$300 million available for repurchases.

On July 20, 2016, the Board authorized the termination of the 2000 Board of Directors dilution offset share repurchase program, and on October 19, 2016, the Board approved a replacement share repurchase program, with no expiration from the date of authorization, for the systematic repurchase of the Company's common stock to offset the dilutive effects of the Company's employee stock purchase plan, equity awards and in-kind dividends on the Company's Series A Convertible Preferred Stock. Availability under the replacement program accrues quarterly based on the average value of dilutive issuances during the quarter. In addition, the remaining authorized availability under the 2000 Board of Directors dilution offset share repurchase program was made available under the replacement program. Shares may be repurchased periodically on an ongoing basis, in the open market or through privately negotiated transactions, at management's discretion. As of December 31, 2016, approximately \$120 million was available for repurchase under the replacement program.

The Company occasionally purchases vested restricted stock shares at the current market price to cover withholding taxes. For the three months ended December 31, 2016, 275,865 shares of vested restricted stock were purchased at an average price of \$30.61 per share.

The Company's ability to repurchase its common stock is restricted under the Company's senior secured credit facility and terms of the indentures for the Company's senior unsecured notes. These agreements include certain prohibitions on share repurchases, including during the occurrence of an event of default. These agreements also establish limits on the amount that the Company is permitted to allocate to share repurchases and other restricted payments. The limitations are calculated using formulas based generally on 50% of the Company's consolidated net income for the period beginning in the third quarter of 2012 through the end of the most recently ended fiscal quarter, subject to certain other adjustments and deductions, with certain prescribed minimums. These formulas are described in greater detail in the Company's senior secured credit facility and the indentures for the Company's senior unsecured notes, each of which is filed with the SEC.

Item 6. SELECTED FINANCIAL DATA
In millions, except per share and employee and contractor amounts
For the years ended December 31

	2016	2015	2014	2013	2012
Continuing Operations ^(a,c)					
Revenue	\$ 6,543	\$ 6,373	\$ 6,591	\$ 6,123	\$ 5,730
Income from operations	\$ 599	\$ 135	\$ 353	\$ 666	\$ 748
Interest expense	\$ (170)	\$ (173)	\$ (181)	\$ (103)	\$ (42)
Income tax expense (benefit)	\$ 92	\$ 55	\$ (48)	\$ 98	\$ 223
Income (loss) from continuing operations attributable to NCR common stockholders	\$ 283	\$ (154)	\$ 181	\$ 452	\$ 475
(Loss) income from discontinued operations, net of tax	\$ (13)	\$ (24)	\$ 10	\$ (9)	\$ 6
Basic earnings (loss) per common share attributable to NCR common stockholders:					
From continuing operations ^(a,c)	\$ 1.86	\$ (0.94)	\$ 1.08	\$ 2.73	\$ 2.98
From discontinued operations	\$ (0.10)	\$ (0.15)	\$ 0.06	\$ (0.05)	\$ 0.04
Total basic earnings (loss) per common share	\$ 1.76	\$ (1.09)	\$ 1.14	\$ 2.68	\$ 3.02
Diluted earnings (loss) per common share attributable to NCR common stockholders: ^(b)					
From continuing operations ^(a,c)	\$ 1.80	\$ (0.94)	\$ 1.06	\$ 2.67	\$ 2.90
From discontinued operations	\$ (0.10)	\$ (0.15)	\$ 0.06	\$ (0.05)	\$ 0.04
Total diluted earnings (loss) per common share	\$ 1.71	\$ (1.09)	\$ 1.12	\$ 2.62	\$ 2.94
Cash dividends per share	\$ —	\$ —	\$ —	\$ —	\$ —
As of December 31					
Total assets	\$ 7,673	\$ 7,635	\$ 8,566	\$ 8,061	\$ 6,341
Total debt	\$ 3,051	\$ 3,252	\$ 3,618	\$ 3,307	\$ 1,935
Series A convertible preferred stock	\$ 847	\$ 798	\$ —	\$ —	\$ —
Total NCR stockholders' equity	\$ 695	\$ 720	\$ 1,871	\$ 1,769	\$ 1,252
Number of employees and contractors	33,500	32,600	30,200	29,300	25,700

(a) Continuing operations excludes the costs and insurance recoveries relating to certain environmental obligations associated with discontinued operations, including those relating to the Fox River, Japan and Kalamazoo River matters and the results from our disposed healthcare solutions and Entertainment businesses.

(b) See Note 1, "Basis of Presentation and Significant Accounting Policies" for further discussion of the diluted earnings (loss) per common share attributable to NCR common stockholders from continuing operations, discontinued operations and total.

(c) The following income (expense) amounts, net of tax are included in income from continuing operations attributable to NCR for the years ended December 31:

In millions	2016	2015	2014	2013	2012
Pension mark-to-market adjustments	\$ (78)	\$ (445)	\$ (63)	\$ 65	\$ 155
Restructuring/Transformation costs	(21)	(50)	(116)	—	—
Acquisition related amortization of intangibles	(83)	(85)	(80)	(48)	(25)
Acquisition related costs	(5)	(8)	(20)	(36)	(16)
Divestiture and liquidation losses	(5)	(29)	—	—	—
Reserve related to subcontract in MEA	—	(13)	—	—	—
OFAC and FCPA investigations	—	—	(2)	(2)	(2)
Japan valuation reserve release	—	—	—	15	—
Impairment charges	—	—	—	—	(7)
Total	\$ (192)	\$ (630)	\$ (281)	\$ (6)	\$ 105

Index to Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

	<u>Page</u>
Business Overview	24
2016 Overview	24
Overview of Strategic Initiatives and Trends	24
Results of Operations	25
Financial Condition, Liquidity and Capital Resources	32
Critical Accounting Policies and Estimates	36
Recently Issued Accounting Pronouncements	41

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

BUSINESS OVERVIEW

NCR is a leading global provider of omni-channel technology solutions that help businesses connect, interact and transact with their customers. Our portfolio of self-service and assisted-service solutions are designed to allow businesses in the financial services, retail, hospitality, travel and telecommunications and technology industries to deliver a rich, integrated and personalized experience to consumers across physical and digital commerce channels. Our offerings include automated teller machines (ATMs), point of sale (POS) terminals and devices, self-service kiosks, omni-channel platform software and other software applications, and a complete suite of consulting, implementation, maintenance and managed services. We also resell third-party networking products and provide related service offerings in the telecommunications and technology sectors. Our solutions create value for our customers by allowing them to address consumer demand for convenience, value and individual service across different commerce channels.

We have three operating segments: Software, Services, and Hardware. Each of our operating segments derives its revenue in each of the sales theaters in which NCR operates. As of January 1, 2016, NCR began management of its business on a solution basis, changing from the previous model of management on a line of business basis. This change to our segment reporting for fiscal year 2016 and future periods is further described in Note 1, "Basis of Presentation and Significant Accounting Policies" of the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report.

Our solutions are based on a foundation of long-established industry knowledge and consulting expertise, value-added software, hardware technology and global customer support services.

NCR's reputation is founded upon over 132 years of providing quality products, services and solutions to our customers. At the heart of our customer and other business relationships is a commitment to acting responsibly, ethically and with the highest level of integrity. This commitment is reflected in NCR's Code of Conduct, which is available on the Corporate Governance page of our website.

2016 OVERVIEW

As more fully discussed in later sections of this MD&A, the following were significant themes and events for 2016:

- Revenue increased approximately 3% from the prior year period, and increased 7% excluding unfavorable foreign currency impacts and adjusting for the divestiture of our Interactive Printer Solutions (IPS) business.
- Software-related revenue, which we measure by combining software license and maintenance revenue, cloud revenue and professional services revenue associated with software delivery, was \$1,841 million and \$1,747 million in 2016 and 2015, respectively, including year-over-year unfavorable foreign currency impacts of approximately 1% in 2016.
- We generated cash flows from operations and free cash flow of \$894 million and \$628 million, respectively, in 2016.
- The Company repurchased approximately 10.0 million shares of its common stock for \$250 million in the first half of 2016 and subsequently announced a new \$300 million share repurchase program and a replacement for the Company's dilution offset share repurchase program.

OVERVIEW OF STRATEGIC INITIATIVES AND TRENDS

The rise of digital commerce, mobile engagement and globalization have dramatically altered the relationship between business and consumer. The growing influence of big data, the Internet of things and the cloud are driving the next generation of changes in consumer behavior. Consumers increasingly expect businesses to provide a rich, integrated and personalized experience across all commerce channels, including in-store, online and mobile. NCR is at the forefront of this shift to an omni-channel experience, working to provide the solutions that will form the end-to-end platforms by which businesses connect, interact and transact with consumers. Our long-term strategy is built on being a global technology solutions company that uses software and value-added endpoints, coupled with higher-margin services and a focus on cloud and mobile, to help our customers deliver on the promise of an omni-channel experience.

To deliver on our strategy, we are focused on sales enablement, services transformation, evolving our software business model, investing in innovation and cultivating our culture and team.

- *Sales Enablement* - Providing our sales force with the training, tools and processes necessary for consultative selling, supported by a strong solutions management function that innovates the way in which we go to market, and expanding our organization of channel partners.
- *Services Transformation* - Driving improved services performance by focusing on a higher mix of managed services, improving our productivity and efficiency, expanding our remote diagnostics and repair capabilities and creating greater discipline in our product lifecycle management.
- *Evolving our Business Model* - Continuing the shift in our business model to provide innovative end-to-end software platform solutions for our customers, with best in class software support while keeping an efficient cost structure to create competitive advantage.
- *Investing in Innovation* - Optimizing our operating model and prioritizing investments in areas with the greatest potential for profitable growth, such as cloud solutions and professional, managed and other services.
- *Cultivating our Culture and Team* - Organizing and recruiting with an eye toward the future, and investing in, training and developing our employees to accelerate the delivery of our innovative solutions and to focus on the needs of our customers and changes in consumer behavior.

We plan, in pursuing our strategy, to continue to manage our costs effectively, to selectively pursue strategic acquisitions that promote growth and improve gross margin, and to selectively penetrate market adjacencies in single and emerging growth industry segments.

Potentially significant risks to the execution of our initiatives include domestic and global economic and credit conditions including, in particular, uncertainty in the Chinese economy and economic sanctions against Russia, the determination by Britain to exit the European Union and further potential changes in Eurozone participation, the potential for changes to global or regional trade agreements or the imposition of protectionist trade policies, and the imposition of import or export tariffs or border adjustments; continued strengthening of the U.S. Dollar resulting in unfavorable foreign currency impacts; collectability difficulties in subcontracting relationships in Middle East and Africa; the possibility of disruptions in or problems with our data center hosting facilities; cybersecurity risks and compliance with data privacy and protection requirements; competition that can drive further price erosion and the potential loss of market share; difficulties associated with the introduction of products in new markets; market adoption of our products by customers; and management and servicing of our existing indebtedness. For further information on potential risks and uncertainties see Item 1A "Risk Factors."

RESULTS OF OPERATIONS

The following table shows our results for the years ended December 31:

In millions	2016	2015	2014
Revenue	\$6,543	\$6,373	\$6,591
Gross margin	1,782	1,469	1,732
Gross margin as a percentage of revenue	27.2%	23.1%	26.3%
Operating expenses			
Selling, general and administrative expenses	\$926	\$1,042	\$1,012
Research and development expenses	242	230	263
Restructuring-related charges	15	62	104
Income from operations	\$599	\$135	\$353

The following tables show our revenue by geographic theater for the years ended December 31:

In millions	2016	% of Total	2015	% of Total	% Increase (Decrease)	% Increase (Decrease) Adjusted Constant Currency ⁽¹⁾
Americas	\$3,743	57%	\$3,499	55%	7%	11%
Europe, Middle East Africa (EMEA)	1,896	29%	1,964	31%	(3)%	2%
Asia Pacific (APJ)	904	14%	910	14%	(1)%	1%
Consolidated revenue	<u>\$6,543</u>	<u>100%</u>	<u>\$6,373</u>	<u>100%</u>	3%	7%

In millions	2015	% of Total	2014	% of Total	% Increase (Decrease)	% Increase (Decrease) Adjusted Constant Currency ⁽¹⁾
Americas	\$3,499	55%	\$3,357	51%	4%	7%
Europe, Middle East Africa (EMEA)	1,964	31%	2,184	33%	(10)%	1%
Asia Pacific (APJ)	910	14%	1,050	16%	(13)%	(5)%
Consolidated revenue	<u>\$6,373</u>	<u>100%</u>	<u>\$6,591</u>	<u>100%</u>	(3)%	3%

The following table shows our revenue by segment for the years ended December 31:

In millions	2016	% of Total	2015	% of Total	% Increase (Decrease)	% Increase (Decrease) Adjusted Constant Currency ⁽¹⁾
Software	\$ 1,841	28%	\$ 1,747	27%	5%	6%
Services	2,306	35%	2,218	35%	4%	6%
Hardware	2,396	37%	2,408	38%	—%	9%
Consolidated revenue	<u>\$ 6,543</u>	<u>100%</u>	<u>\$ 6,373</u>	<u>100%</u>	3%	7%

In millions	2015	% of Total	2014	% of Total	% Increase (Decrease)	% Increase (Decrease) Adjusted Constant Currency ⁽¹⁾
Software	\$ 1,747	27%	\$ 1,748	27%	—%	4%
Services	2,218	35%	2,272	34%	(2)%	5%
Hardware	2,408	38%	2,571	39%	(6)%	1%
Consolidated revenue	<u>\$ 6,373</u>	<u>100%</u>	<u>\$ 6,591</u>	<u>100%</u>	(3)%	3%

⁽¹⁾ The tables above each include a presentation of period-over-period revenue growth or decline on an adjusted constant currency basis, which is a non-GAAP measure that excludes the effects of foreign currency fluctuations and the impact of the IPS divestiture. We calculate this information by translating prior period revenue growth at current period monthly average exchange rates, and for the 2016 comparison, by excluding the prior period results of the divested IPS business for the comparable period after the completion of the sale in May 2016. We believe that examining period-over-period revenue growth or decline excluding foreign currency fluctuations and adjusting for the impact of the IPS divestiture is useful for assessing the underlying performance of our business, and our management uses revenue growth adjusted for constant currency and the impact of the IPS divestiture to evaluate period-over-period operating performance. This non-GAAP measure should not be considered a substitute for, or superior to, period-over-period revenue growth under GAAP.

The following table provides a reconciliation of region revenue % growth (GAAP) to revenue % growth adjusted constant currency (non-GAAP) for the years ended December 31:

	2016				2015		
	Revenue % Growth (GAAP)	Favorable (unfavorable) FX impact	Divestiture impact	Revenue % Growth Adjusted Constant Currency (non-GAAP)	Revenue % Growth (GAAP)	Favorable (unfavorable) FX impact	Revenue % Growth Constant Currency (non-GAAP)
Americas	7%	—%	(4)%	11%	4%	(3)%	7%
EMEA	(3)%	(2)%	(3)%	2%	(10)%	(11)%	1%
APJ	(1)%	—%	(2)%	1%	(13)%	(8)%	(5)%
Consolidated revenue	3%	(1)%	(3)%	7%	(3)%	(6)%	3%

The following table provides a reconciliation of segment revenue % growth (GAAP) to revenue % growth adjusted constant currency (non-GAAP) for the years ended December 31:

	2016				2015		
	Revenue % Growth (GAAP)	Favorable (unfavorable) FX impact	Divestiture impact	Revenue % Growth Adjusted Constant Currency (non-GAAP)	Revenue % Growth (GAAP)	Favorable (unfavorable) FX impact	Revenue % Growth Constant Currency (non-GAAP)
Software	5%	(1)%	—%	6%	—%	(4)%	4%
Services	4%	(2)%	—%	6%	(2)%	(7)%	5%
Hardware	—%	—%	(9)%	9%	(6)%	(7)%	1%
Consolidated Revenue	3%	(1)%	(3)%	7%	(3)%	(6)%	3%

2016 compared to 2015 results discussion

Revenue

Revenue increased 3% in 2016 from 2015 due to growth in the Americas theater for all operating segments. Foreign currency fluctuations and the IPS divestiture unfavorably impacted the revenue comparison by 1% and 3%, respectively.

Software revenue increased 5% driven by growth in all of our software revenue streams, which include software license, software maintenance, cloud, and professional services. Services revenue increased 4% from 2015 driven by growth in both implementation services and hardware maintenance services as a result of our focus on improving the customer experience. Hardware revenue was flat due to growth in ATM revenue and self-checkout revenue offset by declines in point-of-sale revenue and consumables revenue as a result of the IPS divestiture.

Gross Margin

Gross margin as a percentage of revenue was 27.2% in 2016 compared to 23.1% in 2015. Gross margin for the year ended December 31, 2016 included \$38 million in pension mark-to-market adjustments, \$4 million related to restructuring and transformation costs, and \$58 million related to amortization of acquisition related intangible assets. Gross margin for the year ended December 31, 2015 included \$313 million related to pension mark-to-market adjustments, which primarily included the settlement of the UK London pension plan, \$12 million related to restructuring and \$63 million related to amortization of acquisition related intangible assets. Excluding these items, gross margin was slightly down, due to investment associated with new hardware product introductions offset by growth in our Software segment.

2015 compared to 2014 results discussion

Revenue

Revenue decreased 3% in 2015 from 2014 due to declines in the EMEA and APJ theaters for all operating segments, partially offset by an increase in the Americas theater for all operating segments. Foreign currency fluctuations had a 6% unfavorable impact on revenue for the year. Digital Insight generated \$349 million of revenue from the date of acquisition, January 10, 2014, through December 31, 2014.

Software revenue was flat with growth in cloud and software maintenance offset by declines in software license and professional services. Services revenue decreased from 2014 driven primarily by declines in hardware maintenance services. Hardware revenue was down from 2014 due to declines in ATM revenue partially offset by growth in self-checkout and point-of-sale revenue.

Gross Margin

Gross margin as a percentage of revenue was 23.1% in 2015 compared to 26.3% in 2014. Gross margin for the year ended December 31, 2015 included \$313 million in pension mark-to-market adjustments which primarily included the settlement of the UK London pension plan, \$12 million related to restructuring and \$63 million related to amortization of acquisition related intangible assets. Gross margin for the year ended December 31, 2014 included \$85 million related to pension mark-to-market adjustments, \$56 million related to restructuring and \$63 million related to amortization of acquisition related intangible assets. Excluding these items, gross margin was down slightly due to a less favorable mix of revenue.

Effects of Pension, Postemployment, and Postretirement Benefit Plans

NCR's income from continuing operations for the years ended December 31 was impacted by certain employee benefit plans as reflected in the table below:

In millions	2016	2015	2014
Pension expense	\$103	\$464	\$152
Postemployment expense	10	17	89
Postretirement (benefit)	(11)	(15)	(15)
Total expense	\$102	\$466	\$226

In 2016, pension expense was \$103 million compared to \$464 million in 2015 and \$152 million in 2014. In 2016, pension expense included actuarial losses of \$85 million compared to \$29 million in 2015 due to a decrease in the discount rate during the current year, offset by a higher than expected return on global pension assets. In 2016, approximately 51% of the pension expense was included in operating expenses, with the remaining 49% included in cost of products and services. In 2015, pension expense included a settlement loss of \$427 million related to the completion of the transfer of NCR's UK London pension plan to an insurer, in addition to actuarial losses of \$29 million. The actuarial losses were primarily attributable to lower than expected return on U.S. pension assets, partially offset by an increase in the discount rate. In 2014, pension expense included actuarial losses of \$150 million, primarily attributable to a change in the U.S. mortality table.

Postemployment expense (severance and disability medical) was \$10 million in 2016 compared to \$17 million in 2015 and \$89 million in 2014. In July 2014, the Company announced a restructuring plan to strategically reallocate resources and position the Company to focus on higher growth, higher margin opportunities and recorded a related charge of \$4 million, \$1 million, and \$73 million in the years ended December 31, 2016, 2015, and 2014 respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased \$116 million to \$926 million in 2016 from \$1,042 million in 2015. As a percentage of revenue, these expenses were 14.2% in 2016 and 16.4% in 2015. In 2016, selling, general and administrative expenses included \$24 million of pension mark-to-market adjustments, \$65 million of acquisition-related amortization of intangibles, \$7 million of acquisition-related costs, and \$7 million of restructuring and transformation costs. In 2015, selling, general and administrative expenses included \$123 million of pension mark-to-market adjustments, \$11 million of acquisition-related costs, \$62 million of acquisition-related amortization of intangibles, a \$20 million reserve on a subcontracting arrangement in emerging industries in Middle East Africa, and \$1 million of OFAC and FCPA related legal costs. Excluding these items, selling, general and administrative expenses decreased as a percentage of revenue from 12.9% in 2015 to 12.6% in 2016 due to the continued cost reduction actions focused on limiting discretionary spending and the benefit of cost savings from the restructuring program initiated in 2014.

Selling, general, and administrative expenses increased \$30 million to \$1,042 million in 2015 from \$1,012 million in 2014. As a percentage of revenue, these expenses were 16.4% in 2015 and 15.4% in 2014. In 2015, selling, general, and administrative expenses included \$123 million of pension mark-to-market adjustments, \$11 million of acquisition-related costs, \$62 million of acquisition-related amortization of intangibles, a \$20 million reserve on a subcontracting arrangement in emerging industries in Middle East Africa, and \$1 million of OFAC and FCPA related legal costs. In 2014, selling, general, and administrative expenses included \$46 million of pension mark-to-market adjustments, \$27 million of acquisition-related costs, \$56 million of amortization of acquisition-related intangible assets and \$3 million of OFAC and FCPA related legal costs. Excluding these items, selling, general and administrative

expenses decreased as a percentage of revenue from 13.4% in 2014 to 12.9% in 2015 due to the continued cost reduction actions focused on limiting discretionary spending and the benefit of cost savings from the restructuring program initiated in 2014.

Research and Development Expenses

Research and development expenses increased \$12 million to \$242 million in 2016 from \$230 million in 2015. As a percentage of revenue, these costs were 3.7% in 2016 and 3.6% in 2015. Research and development expenses included pension mark-to-market adjustments of \$23 million in 2016 as compared to pension mark-to-market adjustments of \$18 million in 2015. After considering this item, research and development expenses remained consistent as a percentage of revenue at 3.3%.

Research and development expenses decreased \$33 million to \$230 million in 2015 from \$263 million in 2014. As a percentage of revenue, these costs were 3.6% in 2015 and 4.0% in 2014. Research and development expenses included pension mark-to-market adjustments of \$18 million in 2015 and 2014. After considering this item, research and development expenses decreased to 3.3% in 2015 from 3.7% in 2014 as a percentage of revenue due to the focus on cost reduction actions, including limits on discretionary spending, as we continue to focus on higher value offerings.

Restructuring-Related Charges

In 2016, the Company recorded restructuring-related charges of \$15 million related to the restructuring program announced in 2014. The charges consisted of severance and other employee related costs of \$4 million, other exit costs of \$9 million and asset-related charges of \$2 million.

In 2015, the Company recorded restructuring-related charges of \$62 million related to the restructuring program announced in 2014. The charges consist of severance and other employee related costs of \$20 million, other exit costs of \$13 million and asset-related charges of \$29 million.

In 2014, the Company recorded restructuring-related charges of \$104 million related to the restructuring program announced in July 2014. The charges consist of severance and other employee related costs of \$86 million, other exit costs of \$5 million and asset-related charges of \$13 million.

Interest Expense

Interest expense was \$170 million in 2016 compared to \$173 million in 2015 and \$181 million in 2014. Interest expense in 2016, 2015 and 2014 was primarily related to the Company's senior unsecured notes and borrowings under the Company's senior secured credit facility.

Other Expense

Other (expense), net was \$50 million in 2016 compared to \$57 million in 2015 and \$35 million in 2014. Interest income was \$4 million in 2016, \$5 million in 2015 and \$6 million in 2014. In 2016, other (expense), net included \$40 million related to losses from foreign currency fluctuations and foreign exchange contracts, \$8 million in bank-related fees, \$6 million related to the loss on sale of the IPS business and entity liquidations. In 2015, other (expense), net included \$21 million related to losses from foreign currency fluctuations and foreign exchange contracts, \$9 million in bank-related fees, and \$34 million related to the loss on the then pending sale of the IPS business. In 2014, other (expense), net included \$32 million related to losses from foreign currency fluctuations and foreign exchange contracts, \$7 million in bank-related fees, and \$3 million related to the impairment of an investment partially offset by a \$4 million gain on the sale of available for sale securities.

Income Taxes

Our effective tax rate was 24% in 2016, (58)% in 2015, and (35)% in 2014. During 2016, our tax rate was impacted by a less favorable mix of earnings, primarily driven by actuarial pension losses in foreign jurisdictions with a valuation allowance against deferred tax assets. During 2015, there was no tax benefit recorded on the \$427 million charge related to the settlement of the UK London pension plan due to a valuation allowance against deferred tax assets in the United Kingdom. Refer to Note 9, "Employee Benefit Plans" of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Report for additional discussion on the settlement of the UK London pension plan. Additionally, we favorably settled examinations with Canada for tax years 2002 through 2006 that resulted in a tax benefit of \$10 million in 2015. During 2014, we favorably settled examinations with the Internal Revenue Service (IRS) for the 2009 and 2010 tax years that resulted in a tax benefit of \$13 million. In addition, the 2014 tax rate was favorably impacted

by a \$9 million reduction in the U.S. valuation allowance and a favorable mix of earnings by country, primarily driven by actuarial pension losses due to a change in the U.S. mortality table.

During 2014, the Internal Revenue Services (IRS) finalized an examination of our 2009 and 2010 income tax returns and commenced an examination of our 2011, 2012 and 2013 income tax returns, which is ongoing. While we are subject to numerous federal, state and foreign tax audits, we believe that appropriate reserves exist for issues that might arise from these audits. Should these audits be settled, the resulting tax effect could impact the tax provision and cash flows in future periods. During 2017, the Company expects to resolve certain tax matters related to U.S. and foreign jurisdictions. These resolutions could have a material impact on the effective tax rate in 2017.

We regularly review our deferred tax assets for recoverability and establish a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The determination as to whether a deferred tax asset will be realized is made on a jurisdictional basis and is based on the evaluation of positive and negative evidence. This evidence includes historical taxable income/loss, projected future taxable income, the expected timing of the reversal of existing temporary differences and the implementation of tax planning strategies. Given current earnings and anticipated future earnings at certain subsidiaries, the Company believes that there is a reasonable possibility sufficient positive evidence may become available that would allow the release of a valuation allowance within the next twelve months.

(Loss) Income from Discontinued Operations

In 2016, loss from discontinued operations was \$13 million, net of tax, primarily related to updates in estimates and accruals for litigation expenses related to the Fox River reserve.

In 2015, loss from discontinued operations was \$24 million, net of tax, primarily related to updates in estimates and accruals for litigation expenses related to the Fox River reserve in addition to accruals for litigation expenses related to the Kalamazoo River environmental matter.

In 2014, income from discontinued operations was \$10 million, net of tax, primarily related to updates in estimates related to the Fox River reserve partially offset by accruals for litigation expenses related to the Kalamazoo River environmental matter.

Revenue and Operating Income by Segment

As described in Note 13, “Segment Information and Concentrations” of the Notes to Consolidated Financial Statements, the Company manages and reports its businesses in the following segments:

- **Software** - Our software portfolio includes industry-based software applications and application suites for the financial services, retail, hospitality and small business industries. We also offer other industry-oriented software applications including cash management software, video banking software, fraud and loss prevention applications, check and document imaging, remote-deposit capture and customer-facing digital banking applications for the financial services industry; and secure electronic and mobile payment solutions, sector-specific point of sale software applications, and back-office inventory and store and restaurant management applications for the retail and hospitality industries. Additionally, we provide ongoing software support and maintenance services, as well as consulting and implementation services for our software solutions.
- **Services** - Our global end-to-end services solutions include assessment and preparation, staging, installation, implementation, and maintenance and support for our hardware solutions. We also provide systems management and complete managed services for our product offerings. In addition, we provide servicing for third party networking products and computer hardware from select manufacturers.
- **Hardware** - Our hardware solutions include our suite of financial-oriented self-service ATM-related hardware, and our retail- and hospitality-oriented point of sale terminal, self-checkout kiosk and related hardware. We also offer other self-service kiosks, such as self-check in/out kiosks for airlines, and wayfinding solutions for buildings and campuses.

Each of these segments derives its revenue by selling in the sales regions in which NCR operates. Segments are measured for profitability by the Company’s chief operating decision maker based on revenue and segment operating income. For purposes of discussing our operating results by segment, we exclude the impact of certain non-operational items from segment operating income, consistent with the manner by which management reviews each segment, evaluates performance, and reports our segment results under GAAP. This format is useful to investors because it allows analysis and comparability of operating trends. It also includes the same information that is used by NCR management to make decisions regarding the segments and to assess our financial performance. Our segment

results are reconciled to total Company results reported under GAAP in Note 13, “Segment Information and Concentrations” of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Report.

In the segment discussions below, we have disclosed the impact of foreign currency fluctuations and the IPS divestiture as it relates to our segment revenue due to their significance.

Software Segment

The following table presents the Software revenue and segment operating income for the years ended December 31:

In millions	2016	2015	2014
Revenue	\$1,841	\$1,747	\$1,748
Operating income	\$577	\$539	\$526
Operating income as a percentage of revenue	31.3%	30.9%	30.1%

Software revenue increased 5% in 2016 compared to 2015 driven by growth in all software revenue streams which include software license, software maintenance, cloud and professional services. Growth in software license revenue was driven primarily by store transformation and attached software revenue driven by the increase in hardware sales. Software maintenance revenue grew due to the growth in software licenses in prior periods and cloud growth was due to growth in the financial services and hospitality industries. Foreign currency fluctuations had a favorable impact on the revenue comparison of 1%.

Software revenue was flat in 2015 compared to 2014 with growth in cloud revenue offset by declines in software license and professional services. The growth in cloud revenue was due to growth in our financial services and hospitality industries. The decline in software license and professional services revenue was due to a decrease in the financial services and retail industries partially offset by growth in the hospitality industry. Foreign currency fluctuations negatively impacted the year-over-year revenue comparison by 4%.

Operating income increased in 2016 compared to 2015 driven by higher revenue. Operating income increased in 2015 compared to 2014 driven by the increase in cloud revenue.

Services Segment

The following table presents the Services revenue and segment operating income for the years ended December 31:

In millions	2016	2015	2014
Revenue	\$2,306	\$2,218	\$2,272
Operating income	\$201	\$194	\$165
Operating income as a percentage of revenue	8.7%	8.7%	7.3%

Services revenue increased 4% in 2016 compared to 2015 primarily driven by growth in implementation, hardware maintenance and managed services as a result of our focus on improving the customer experience. Foreign currency fluctuations negatively impacted the year-over-year revenue comparison by 2%.

Services revenue decreased 2% in 2015 compared to 2014 primarily driven by declines in the financial services industry. Foreign currency fluctuations negatively impacted the year-over-year revenue comparison by 7%.

Operating income increased in 2016 compared to 2015 primarily driven by higher revenue. Operating income increased in 2015 compared to 2014 primarily driven by improved productivity and efficiency.

Hardware Segment

The following table presents the Hardware revenue and segment operating income for the years ended December 31:

In millions	2016	2015	2014
Revenue	\$2,396	\$2,408	\$2,571
Operating income	\$62	\$87	\$126
Operating income as a percentage of revenue	2.6%	3.6%	4.9%

On May 27, 2016, NCR completed the sale of substantially all of the IPS business to Atlas Holdings LLC, which excluded the IPS operations in the Middle East and Africa (MEA). Accordingly, the Hardware segment revenue and operating income results exclude the results of the IPS operations, except for the IPS MEA operations, from May 27, 2016 through the end of 2016.

Hardware revenue was relatively flat in 2016 compared to 2015 with growth in ATM revenue and self-checkout revenue offset by declines in point-of-sale revenue and IPS revenue as a result of the divestiture. ATM revenue increased mainly due to new product introductions and branch transformation, and self-checkout revenue increased due to store transformation. Point-of-sale revenue was down mainly in the retail industry. Foreign currency fluctuations and the IPS divestiture negatively impacted the year-over-year revenue comparison by 9%.

Hardware revenue decreased 6% in 2015 compared to 2014 due to lower ATM revenue due to macroeconomic challenges in the financial industry in Russia and China. Foreign currency fluctuations negatively impacted the year-over-year revenue comparison by 7%.

Operating income decreased in 2016 compared to 2015 due to a decline in gross margins attributable to expenses associated with new product launches. The gross margin rate was negatively impacted by higher initial expenses from the roll-out of a new ATM product family and macroeconomic challenges. Operating income decreased in 2015 compared to 2014 due to macroeconomic challenges in the financial industry in Russia and China.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

In the year ended December 31, 2016, cash provided by operating activities was \$894 million and in the year ended December 31, 2015 and cash provided by operating activities was \$681 million. The increase was due to higher operating income and improvements in working capital.

NCR’s management uses a non-GAAP measure called “free cash flow” to assess the financial performance of the Company. We define free cash flow as net cash provided by (used in) operating activities and cash provided by (used in) discontinued operations, less capital expenditures for property, plant and equipment, less additions to capitalized software plus discretionary pension contributions and settlements. Free cash flow does not have a uniform definition under GAAP, and therefore NCR’s definition of this measure may differ from that of other companies. We believe free cash flow information is useful for investors because it relates the operating cash flows from the Company’s continuing and discontinued operations to the capital that is spent to continue and improve business operations. In particular, free cash flow indicates the amount of cash available after capital expenditures for, among other things, investments in the Company’s existing businesses, strategic acquisitions and investments, repurchase of NCR stock and repayment of 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. This non-GAAP measure should not be considered a substitute for, or superior to, cash flows from operating activities under GAAP. The table below reconciles net cash provided by (used in) operating activities, the most directly comparable GAAP measure, to NCR’s non-GAAP measure of free cash flow for the year ended December 31:

In millions	2016	2015	2014
Net cash provided by operating activities	\$894	\$681	\$524
Expenditures for property, plant and equipment	(73)	(79)	(118)
Additions to capitalized software	(154)	(150)	(140)
Net cash used in discontinued operations	(39)	(43)	(1)
Pension discretionary contributions and settlements	—	—	48
Free cash flow (non-GAAP)	<u>\$628</u>	<u>\$409</u>	<u>\$313</u>

In 2016, net cash provided by operating activities increased \$213 million, and net cash used in discontinued operations decreased \$4 million, which contributed to a net increase in free cash flow of \$219 million in comparison to 2015. Additionally, capital expenditures decreased \$6 million and capitalized software additions increased \$4 million due to continued investment in software solution enhancements. The cash used in discontinued operations in 2016 was lower than 2015 primarily due to lower remediation payments associated with the Fox River environmental matter.

In 2015, net cash provided by operating activities increased \$157 million, net cash used in discontinued operations increased \$42 million, and there were no pension discretionary contributions and settlements, compared to \$48 million in 2014, all of which contributed to a net increase in free cash flow of \$96 million in comparison to 2014. Additionally, capital expenditures decreased \$39 million and capitalized software additions increased \$10 million due to continued investment in the business and software solution enhancements.

The cash used in discontinued operations in 2015 was lower than 2014 primarily due to recoveries related to the Fox River environmental matter.

Financing activities and certain other investing activities are not included in our calculation of free cash flow. Our other investing activities primarily include business acquisitions, divestitures and investments as well as proceeds from the sales of property, plant and equipment. During the year ended December 31, 2016, we completed the sale of our IPS business, excluding its MEA operations, to Atlas Holdings LLC for cash consideration of \$47 million. During the year ended December 31, 2014, we completed the acquisition of Digital Insight for \$1,647 million, net of cash received.

Our financing activities primarily include proceeds from the issuance of preferred stock, employee stock plans, borrowings on term credit facilities and the issuance of unsecured notes, as well as payments made for share repurchases, repayments of term credit facilities and tax withholding on behalf of employees. During the the year ended December 31, 2016, we repurchased a total of \$250 million of our common stock. During the year ended December 31, 2015, we issued and sold shares of our Series A Convertible Preferred Stock for \$820 million, less \$26 million of issuance costs, and completed a share repurchase by modified "Dutch auction" tender offer for \$1 billion, plus \$5 million of issuance costs. During the years ended December 31, 2016, 2015 and 2014, proceeds from employee stock plans were \$15 million, \$15 million and \$13 million, respectively. During the years ended December 31, 2016, 2015 and 2014, payments made for tax withholding on behalf of employees totaled \$16 million, \$16 million and \$28 million, respectively.

Long Term Borrowings On March 31, 2016, we amended and restated our senior secured credit facility and refinanced the term loan facility and revolving credit facility thereunder. As of December 31, 2016, the term loan facility had an aggregate principal amount outstanding of \$866 million, and the revolving credit facility had an aggregate principal amount of \$1.10 billion, of which none was outstanding. Additionally, the revolving credit facility has up to \$400 million available to certain foreign subsidiaries. Loans under the revolving credit facility are available in U.S. Dollars, Euros and Pound Sterling. The revolving credit facility also allows a portion of the availability to be used for outstanding letters of credit, and as of December 31, 2016, there were no letters of credit outstanding. As of December 31, 2015, the outstanding principal balance of the term loan facility was \$956 million and the outstanding balance of the revolving credit facility was \$100 million.

As of December 31, 2016 and 2015, we had outstanding \$700 million in aggregate principal balance of 6.375% senior unsecured notes due 2023, \$600 million in aggregate principal balance of 5.00% senior unsecured notes due 2022, \$500 million in aggregate principal balance of 4.625% senior unsecured notes due 2021 and \$400 million in aggregate principal balance of 5.875% senior unsecured notes due 2021.

Our revolving trade receivables securitization facility provides the Company with up to \$200 million in funding based on the availability of eligible receivables and other customary factors and conditions. As of December 31, 2016, the Company had no outstanding balance under the facility. As of December 31, 2015, the Company had \$100 million outstanding under the facility.

See Note 6, "Debt Obligations" of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Report for further information on the senior secured credit facility, the senior unsecured notes and the trade receivables securitization facility.

Employee Benefit Plans We expect to make pension, postemployment and postretirement plan contributions of approximately \$88 million in 2017. See Note 9, "Employee Benefit Plans" of the Notes to the Consolidated Financial Statements included in Item 8 of Part II of this Report for additional discussion on our pension, postemployment and postretirement plans.

Restructuring Program In 2014, we announced a restructuring plan to strategically reallocate resources so that we can focus on higher-growth, higher-margin opportunities in the software-driven omni-channel industry. Refer to Note 3, "Restructuring Plan" of the Notes to the Consolidated Financial Statements included in Item 8 of Part II of this Report for additional discussion on our restructuring plan. As a result of the restructuring plan, the Company recorded a total charge of \$19 million, \$74 million and \$161 million in the years ended December 31, 2016, 2015 and 2014 respectively. The Company expects to achieve annualized run-rate savings of approximately \$105 million as a result of this program.

In addition to the above, we remain focused on continuing our transformation by improving sales execution, increasing customer services productivity and loyalty, making software our business and optimizing our cost structure. We may identify additional restructuring activities as we operationalize the transformation initiatives.

Series A Convertible Preferred Stock On December 4, 2015, NCR issued 820,000 shares of Series A Convertible Preferred Stock to certain entities affiliated with Blackstone Capital Partners VI L.P. and Blackstone Tactical Opportunities L.L.C. (collectively, Blackstone) for an aggregate purchase price of \$820 million, or \$1,000 per share, pursuant to an Investment Agreement between the

Company and Blackstone, dated November 11, 2015. In connection with the issuance of the Series A Convertible Preferred Stock, the Company incurred direct and incremental expenses of \$26 million.

The Series A Convertible Preferred Stock ranks senior to the shares of the Company's common stock, with respect to dividend rights and rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company. Holders of Series A Convertible Preferred Stock are entitled to a cumulative dividend at the rate of 5.5% per annum, payable quarterly in arrears and payable in-kind for the first sixteen dividend payments, after which, dividends will be payable in cash or in-kind at the option of the Company. If we fail to timely declare and pay a dividend, the dividend rate will increase to 8.0% per annum until such time as all accrued but unpaid dividends have been paid in full. As of December 31, 2016 and 2015, the Company had accrued dividends of \$3 million and \$4 million, respectively. There were no cash dividends declared in the years ended December 31, 2016 and 2015.

The Series A Convertible Preferred Stock is convertible at the option of the holders at any time into shares of common stock at a conversion price of \$30.00 per share and a conversion rate of 33.33 shares of common stock per share of Series A Convertible Preferred Stock. The conversion rate is subject to customary anti-dilution and other adjustments. As of December 31, 2016 and 2015, the maximum number of common shares that could be required to be issued if converted was 29.0 million and 27.4 million shares, respectively, which would represent approximately 19% and 17% of our outstanding common stock as of December 31, 2016 and 2015 including the preferred shares on an as-converted basis.

On any date during the three months commencing on and immediately following March 16, 2024 and the three months commencing on and immediately following every third anniversary of March 16, 2024, holders of Series A Convertible Preferred Stock have the right to require the Company to repurchase all or any portion of the Series A Convertible Preferred Stock at 100% of the liquidation preference thereof plus all accrued but unpaid dividends. Additionally, upon certain change of control events involving the Company, holders of Series A Convertible Preferred Stock can require the Company to repurchase, subject to certain exceptions, all or any portion of the Series A Convertible Preferred Stock and the Company has the right to redeem the Series A Convertible Preferred Stock.

Cash and Cash Equivalents Held by Foreign Subsidiaries Cash and cash equivalents held by the Company's foreign subsidiaries were \$428 million and \$317 million at December 31, 2016 and 2015, respectively. Under current tax laws and regulations, if cash and cash equivalents and short-term investments held outside the U.S. are distributed to the U.S. in the form of dividends or otherwise, we may be subject to additional U.S. income taxes and foreign withholding taxes, which could be significant.

Summary As of December 31, 2016, our cash and cash equivalents totaled \$498 million and our total debt was \$3.08 billion. Our borrowing capacity under our senior secured credit facility was \$1.10 billion and under our trade receivables securitization facility was \$200 million at December 31, 2016. Our ability to generate positive cash flows from operations is dependent on general economic conditions, and the competitive environment in our industry, and is subject to the business and other risk factors described in Item 1A of Part I of this 2016 Annual Report on Form 10-K. If we are unable to generate sufficient cash flows from operations, or otherwise comply with the terms of our credit facilities, we may be required to seek additional financing alternatives.

We believe that we have sufficient liquidity based on our current cash position, cash flows from operations and existing financing to meet our expected pension, postemployment, and postretirement plan contributions, remediation payments related to the Fox River environmental matter, debt servicing obligations, payments under the restructuring plan, and our operating requirements for the next twelve months.

Contractual Obligations In the normal course of business, we enter into various contractual obligations that impact, or could impact, the liquidity of our operations. The following table and discussion outlines our material obligations as of December 31, 2016 on an undiscounted basis, with projected cash payments in the years shown:

In millions	Total Amounts	2017	2018 - 2019	2020 - 2021	2022 & Thereafter	All Other
Debt obligations	\$ 3,080	\$ 50	\$ 148	\$ 1,580	\$ 1,302	\$ —
Interest on debt obligations	804	146	284	251	123	—
Estimated environmental liability payments	60	45	15	—	—	—
Lease obligations	728	107	155	90	376	—
Purchase obligations	1,109	1,080	29	—	—	—
Uncertain tax positions	142	—	—	—	—	142
Total obligations	\$ 5,923	\$ 1,428	\$ 631	\$ 1,921	\$ 1,801	\$ 142

As of December 31, 2016, we had short and long-term debt totaling \$3.05 billion, which includes debt issuance costs as a direct reduction from the carrying amount of debt.

For purposes of this table, we used interest rates as of December 31, 2016 to estimate the future interest on debt obligations outstanding as of December 31, 2016 and have assumed no voluntary prepayments of existing debt. See Note 6, "Debt Obligations" of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Report for additional disclosure related to our debt obligations and the related interest rate terms.

The estimated environmental liability payments included in the table of contractual obligations shown above are related to the Fox River environmental matter. The amounts shown are our expected payments, net of the payment obligations of its co-obligors; the amounts do not include an estimate for payments to be received from insurers or indemnification parties. For additional information, refer to Note 10, "Commitments and Contingencies" and Note 18, "Subsequent Events" included in Item 8 of Part II of this Report.

Our lease obligations are primarily for certain sales and manufacturing facilities in various domestic and international locations as well as leases related to equipment and vehicles. Our lease obligations also include amounts owed for our future world headquarters in Atlanta. Due to the early stages of construction, we have included assumptions regarding the total project cost and lease commencement.

Purchase obligations represent committed purchase orders and other contractual commitments for goods or services. The purchase obligation amounts were determined through information in our procurement systems and payment schedules for significant contracts. Included in the amounts are committed payments in relation to the long-term service agreement with Accenture under which NCR's transaction processing activities and functions are performed.

We have a \$142 million liability related to our uncertain tax positions. Due to the nature of the underlying liabilities and the extended time often needed to resolve income tax uncertainties, we cannot make reliable estimates of the amount or timing of cash payments that may be required to settle these liabilities. For additional information, refer to Note 7, "Income Taxes" of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Report.

Our U.S. and international employee benefit plans, which are described in Note 9, "Employee Benefit Plans" of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Report, could require significant future cash payments. The funded status of NCR's U.S. pension plan is an underfunded position of \$463 million as of December 31, 2016 compared to an underfunded position of \$429 million as of December 31, 2015. The increase in our underfunded position is primarily attributable to a decrease in the discount rate, partially offset by higher than expected return on U.S. pension assets. Our international retirement plans were in an underfunded status of \$194 million as of December 31, 2016, as compared to an underfunded status of \$150 million as of December 31, 2015. The increase in our underfunded position is primarily attributable to a decrease in the discount rate, partially offset by higher than expected return on international pension assets. Contributions to international pension plans are expected to be approximately \$30 million in 2017.

We also have product warranties that may affect future cash flows. These items are not included in the table of obligations shown above, but are described in detail in Note 10, "Commitments and Contingencies" of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Report.

Our senior secured credit facility and the indentures for our senior unsecured notes include affirmative and negative covenants that restrict or limit our ability to, among other things, incur indebtedness; create liens on assets; engage in certain fundamental corporate changes or changes to our business activities; make investments; sell or otherwise dispose of assets; engage in sale-leaseback or hedging transactions; pay dividends or make similar distributions; repay other indebtedness; engage in certain affiliate transactions; or enter into agreements that restrict our ability to create liens, pay dividends or make loan repayments. Our senior secured credit facility also includes financial covenants that require us to maintain:

- a consolidated leverage ratio on the last day of any fiscal quarter, not to exceed (i) in the case of any fiscal quarter ending on or prior to December 31, 2017, (a) the sum of 4.25 and an amount (not to exceed 0.50) to reflect debt used to reduce NCR's unfunded pension liabilities to (b) 1.00, (ii) in the case of any fiscal quarter ending after December 31, 2017 and on or prior to December 31, 2019, (a) the sum of 4.00 and an amount (not to exceed 0.50) to reflect debt used to reduce NCR's unfunded pension liabilities to (b) 1.00, and (iii) in the case of any fiscal quarter ending after December 31, 2019, the sum of (a) 3.75 and an amount (not to exceed 0.50) to reflect debt used to reduce NCR's unfunded pension liabilities to (b) 1.00; and
- an interest coverage ratio on the last day of any fiscal quarter greater than or equal to 3.50 to 1.00.

At December 31, 2016, the maximum consolidated leverage ratio under the senior secured credit facility was 4.35 to 1.00.

Off-Balance Sheet Arrangements We have no significant contractual obligations not fully recorded on our Consolidated Balance Sheets or fully disclosed in the notes to our consolidated financial statements. We have no material off-balance sheet arrangements as defined by SEC Regulation S-K Item 303 (a) (4) (ii).

See Note 10, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report for additional information on guarantees associated with our business activities.

Disclosure Pursuant to Section 13(r)(1)(D)(ii) of the Securities Exchange Act. Pursuant to Section 13(r)(1)(D)(ii) of the Securities Exchange Act of 1934, as amended, we note that, during the period from January 1, 2016 through April 30, 2016, we continued to maintain a bank account and guarantees at the Commercial Bank of Syria ("CBS"), which was designated as a Specially Designated National pursuant to Executive Order 13382 ("EO 13382") on August 10, 2011. This bank account and the guarantees at CBS were maintained in the normal course of business prior to the listing of CBS pursuant to EO 13382. We note that the last known account balance was approximately \$3,468 at April 30, 2016. The bank account did not generate interest from January 1, 2016 through April 30, 2016, and the guarantees did not generate any revenue or profits for the Company. Pursuant to a license granted to the Company by OFAC on January 3, 2013, and subsequent licenses granted on April 29, 2013, July 12, 2013, February 28, 2014, November 12, 2014, and October 24, 2015, the Company had been engaged in winding down its past operations in Syria. The Company's last such license expired on April 30, 2016. In addition, the Company's application to renew its license to transact business with CBS, which was submitted to OFAC on May 18, 2015, was not acted upon prior to the expiration of the Company's last such license. As a result, and in connection with the license expiration, the Company abandoned its remaining property in Syria, which, including the CBS account, was commercially insignificant, and ended the employment of its final two employees in Syria, who had remained employed by the Company to assist with the execution of the Company's wind-down activities pursuant to authority granted by the OFAC licenses. The Company does not intend to engage in any further business activities with CBS.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are prepared in accordance with GAAP. In connection with the preparation of these financial statements, we are required to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosure of contingent liabilities. These assumptions, estimates and judgments are based on historical experience and are believed to be reasonable at the time. However, because future events and their effects cannot be determined with certainty, the determination of estimates requires the exercise of judgment. Our critical accounting policies are those that require assumptions to be made about matters that are highly uncertain. Different estimates could have a material impact on our financial results. Judgments and uncertainties affecting the application of these policies and estimates may result in materially different amounts being reported under different conditions or circumstances. Our management continually reviews these assumptions, estimates and judgments to ensure that our financial statements are presented fairly and are materially correct.

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require significant management judgment in its application. There are also areas in which management's judgment in selecting among available alternatives would not produce a materially different result. The significant accounting policies and estimates that we believe are the most critical to aid in fully understanding and evaluating our reported financial results are discussed in the paragraphs below. Our senior management has reviewed these critical accounting policies and related disclosures with our independent registered public accounting firm and the Audit Committee of our Board of Directors. See Note 1, "Description of Business and Significant Accounting Policies" of the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report, which contains additional information regarding our accounting policies and other disclosures required by GAAP.

Revenue Recognition NCR frequently enters into multiple-element arrangements with its customers including hardware, software, professional consulting services and maintenance support services. For arrangements involving multiple deliverables, when deliverables include software and non-software products and services, NCR evaluates and separates each deliverable to determine whether it represents a separate unit of accounting based on the following criteria: (a) the delivered item has value to the customer on a stand-alone basis; and (b) if the contract includes a general right of return relative to the delivered item, delivery or performance of the undelivered items is considered probable and substantially in the control of NCR.

Consideration is allocated to each unit of accounting based on the unit's relative selling prices. In such circumstances, the Company uses a hierarchy to determine the selling price to be used for allocating revenue to each deliverable: (i) vendor-specific objective evidence of selling price (VSOE), (ii) third-party evidence of selling price (TPE), and (iii) best estimate of selling price (BESP). VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. VSOE is established for our software maintenance and software-related professional services. We use TPE to establish selling prices for our installation and transaction services. The Company uses BESP to allocate revenue when we are unable to establish VSOE or TPE of selling price. BESP is used for hardware maintenance and elements such as products that are not consistently priced

within a narrow range. The Company determines BESP for a deliverable by considering multiple factors including product class, geography, average discount, and management's historical pricing practices. Amounts allocated to the delivered hardware and software elements are recognized at the time of sale provided the other conditions for revenue recognition have been met. Amounts allocated to the undelivered maintenance and other services elements are recognized as the services are provided or on a straight-line basis over the service period. In certain instances, customer acceptance is required prior to the passage of title and risk of loss of the delivered products. In such cases, revenue is not recognized until the customer acceptance is obtained. Delivery and acceptance generally occur in the same reporting period.

In situations where NCR's solutions contain software that is more than incidental, revenue related to the software and software-related elements is recognized in accordance with authoritative guidance on software revenue recognition. For the software and software-related elements of such transactions, revenue is allocated based on the relative fair value of each element, and fair value is determined by VSOE. If the Company cannot objectively determine the fair value of any undelivered element included in such multiple-element arrangements, the Company defers revenue until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements. When the fair value of a delivered element has not been established, but fair value exists for the undelivered elements, the Company uses the residual method to recognize revenue. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is allocated to the delivered elements and is recognized as revenue. If an arrangement includes software and services that involve significant production, modification or customization of the software, the services cannot be separated from the software. The Company accounts for these arrangements as a long-term contract.

For certain of NCR's long-term contracts, the Company utilizes a percentage-of-completion accounting method, which requires estimates of future revenue and costs over the full term of product and/or service delivery. Estimated losses, if any, on long-term projects are recognized as soon as such losses become known.

Revenue recognition for complex contractual arrangements, especially those with multiple elements, requires a significant level of judgment and is based upon a review of specific contracts, past experience, the selling price of undelivered elements when sold separately, creditworthiness of customers, international laws and other factors. Changes in judgments about these factors could impact the timing and amount of revenue recognized between periods.

Allowance for Doubtful Accounts We evaluate the collectability of our accounts receivable based on a number of factors. We establish provisions for doubtful accounts using percentages of our accounts receivable balance as an overall proxy to reflect historical average credit losses and also use management judgment that may include elements that are uncertain, including specific provisions for known issues. The percentages are applied to aged accounts receivable balances. Aged accounts are determined based on the number of days the receivable is outstanding, measured from the date of the invoice, or from the date of revenue recognition. As the age of the receivable increases, the provision percentage also increases. This policy is applied consistently among all of our operating segments.

Based on the factors below, we periodically review customer account activity in order to assess the adequacy of the allowances provided for potential losses. Factors include economic conditions and judgments regarding collectability of account balances, each customer's payment history and creditworthiness.

The allowance for doubtful accounts was \$41 million as of December 31, 2016, \$47 million as of December 31, 2015, and \$19 million as of December 31, 2014. These allowances represent, as a percentage of gross receivables, 3.1% in 2016, 3.6% in 2015, and 1.3% in 2014.

Given our experience, the reserves for potential losses are considered adequate, but if one or more of our larger customers were to default on its obligations, we could be exposed to potentially significant losses in excess of the provisions established. We continually evaluate our reserves for doubtful accounts and economic deterioration could lead to the need to increase our allowances.

Inventory Valuation Inventories are stated at the lower of cost or net realizable value, using the average cost method. Each quarter, we reassess raw materials, work-in-process, parts and finished equipment inventory costs to identify purchase or usage variances from standards, and valuation adjustments are made. Additionally, to properly provide for potential exposure due to slow-moving, excess, obsolete or unusable inventory, inventory values are reduced based on forecasted usage, orders, technological obsolescence and inventory aging. These factors are impacted by market conditions, technology changes and changes in strategic direction, and require estimates and management judgment that may include elements that are uncertain. On a quarterly basis, we review the current net realizable value of inventory and adjust for any inventory exposure due to age or excess of cost over net realizable value.

We have inventory in more than 40 countries around the world. We purchase inventory from third party suppliers and manufacture inventory at our plants. This inventory is transferred to our distribution and sales organizations at cost plus a mark-up. This mark-up

is referred to as inter-company profit. Each quarter, we review our inventory levels and analyze our inter-company profit to determine the correct amount of inter-company profit to eliminate. Key assumptions are made to estimate product gross margins, the product mix of existing inventory balances and current period shipments. Over time, we refine these estimates as facts and circumstances change. If our estimates require refinement, our results could be impacted. The policies described are applied consistently across all of our operating segments.

Warranty Reserves One of our key objectives is to provide superior quality products and services. To that end, we provide a standard manufacturer's warranty typically extending up to 12 months, allowing our customers to seek repair of products under warranty at no additional cost. A corresponding estimated liability for potential warranty costs is recorded at the time of the sale. We sometimes offer extended warranties in the form of product maintenance services to our customers for purchase. We defer the fair value of this revenue and recognize revenue over the life of the extended warranty period. Refer to Note 1, "Description of Business and Significant Accounting Policies" in the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report for further information regarding our accounting for extended warranties.

Future warranty obligation costs are based upon historical factors such as labor rates, average repair time, travel time, number of service calls per machine and cost of replacement parts. When a sale is consummated, the total customer revenue is recognized and the associated warranty liability is recorded based upon the estimated cost to provide the service over the warranty period.

Total warranty costs were \$42 million in 2016, \$41 million in 2015, and \$37 million in 2014. Warranty costs as a percentage of total product revenue was 1.5% in 2016, 1.5% in 2015, and 1.3% in 2014. Historically, the principal factor used to estimate our warranty costs has been service calls per machine. Significant changes in this factor could result in actual warranty costs differing from accrued estimates. Although no near-term changes in our estimated warranty reserves are currently anticipated, in the unlikely event of a significant increase in warranty claims by one or more of our larger customers, costs to fulfill warranty obligations would be higher than provisioned, thereby impacting results.

Goodwill Goodwill is tested at the reporting unit level for impairment on an annual basis during the fourth quarter or more frequently if certain events occur indicating that the carrying value of goodwill may be impaired. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include a decline in expected cash flows, a significant adverse change in legal factors or in the business climate, a decision to sell a business, unanticipated competition, or slower growth rates, among others.

In the evaluation of goodwill for impairment, we have the option to perform a qualitative assessment to determine whether further impairment testing is necessary or to perform a quantitative assessment by comparing the fair value of a reporting unit to its carrying amount, including goodwill. Under the qualitative assessment, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. If under the quantitative assessment the fair value of a reporting unit is less than its carrying amount, then the amount of the impairment loss, if any, must be measured under step two of the impairment analysis. In step two of the analysis, we will record an impairment loss equal to the excess of the carrying value of the reporting unit's goodwill over its implied fair value. Fair values of the reporting units are estimated using a weighted methodology considering the output from both the income and market approaches. The income approach incorporates the use of a discounted cash flow (DCF) analysis. A number of significant assumptions and estimates are involved in the application of the DCF model to forecast operating cash flows, including markets and market shares, sales volumes and prices, costs to produce, tax rates, capital spending, discount rate and working capital changes. Several of these assumptions vary among reporting units. The cash flow forecasts are generally based on approved strategic operating plans. The market approach is performed using the Guideline Public Companies (GPC) method which is based on earnings multiple data. We perform a reconciliation between our market capitalization and our estimate of the aggregate fair value of the reporting units, including consideration of a control premium.

Valuation of Long-lived Assets and Amortizable Other Intangible Assets We perform impairment tests for our long-lived assets if an event or circumstance indicates that the carrying amount of our long-lived assets may not be recoverable. In response to changes in industry and market conditions, we may also strategically realign our resources and consider restructuring, disposing of, or otherwise exiting businesses. Such activities could result in impairment of our long-lived assets or other intangible assets. We also are subject to the possibility of impairment of long-lived assets arising in the ordinary course of business. We consider the likelihood of impairment if certain events occur indicating that the carrying value of the long-lived assets may be impaired and we may recognize impairment if the carrying amount of a long-lived asset or intangible asset is not recoverable from its undiscounted cash flows. Impairment is measured as the difference between the carrying amount and the fair value of the asset. We use both the income approach and market approach to estimate fair value. Our estimates of fair value are subject to a high degree of judgment since they include a long-term forecast of future operations. Accordingly, any value ultimately derived from our long-lived assets may differ from our estimate of fair value.

Pension, Postretirement and Postemployment Benefits We sponsor domestic and foreign defined benefit pension and postemployment plans as well as domestic postretirement plans. As a result, we have significant pension, postretirement and postemployment benefit costs, which are developed from actuarial valuations. Actuarial assumptions attempt to anticipate future events and are used in calculating the expense and liability relating to these plans. These factors include assumptions we make about interest rates, expected investment return on plan assets, rate of increase in healthcare costs, total and involuntary turnover rates, and rates of future compensation increases. In addition, our actuarial consultants advise us about subjective factors such as withdrawal rates and mortality rates to use in our valuations. We generally review and update these assumptions on an annual basis at the beginning of each fiscal year. We are required to consider current market conditions, including changes in interest rates, in making these assumptions. The actuarial assumptions that we use may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates, or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of pension, postretirement or postemployment benefits expense we have recorded or may record. Postemployment and postretirement expense impacts all of our segments. Pension mark-to-market adjustments, settlements, curtailments and special termination benefits are excluded from our segment results as those items are not included in the evaluation of segment performance. See Note 13, "Segment Information and Concentrations," in the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report for a reconciliation of our segment results to income from operations.

The key assumptions used in developing our 2016 expense were discount rates of 4.3% for our U.S. pension plan and 3.3% for our postretirement plan, and an expected return on assets assumption of 4.3% for our U.S. pension plan in 2016. The U.S. plan represented 65% of the pension obligation and 100% of the postretirement medical plan obligation as of December 31, 2016. Holding all other assumptions constant, a 0.25% change in the discount rate used for the U.S. plan would have increased or decreased 2016 ongoing pension expense by approximately \$3 million and would have had an immaterial impact on 2016 postretirement expense. A 0.25% change in the expected rate of return on plan assets assumption for the U.S. pension plan would have increased or decreased 2016 ongoing pension expense by approximately \$4 million. Our expected return on plan assets has historically been and will likely continue to be material to net income. For 2017, we intend to use discount rates of 3.4% and 3.2% in determining the 2017 U.S. pension and postretirement expense, respectively. We intend to use an expected rate of return on assets assumption of 3.5% for the U.S. pension plan.

Effective January 1, 2017, we changed the method used to estimate the service and interest components of net periodic benefit cost for our significant pension plans where yield curves are available. Previously, we estimated such cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the pension benefit obligation. The new methodology utilizes a full yield curve approach by applying the specific spot rates along the yield curve used in the determination of the pension benefit obligation to their underlying projected cash flows and provides a more precise measurement of service and interest costs by improving the correlation between projected cash flows and their corresponding spot rates. This change does not affect the measurement of our total benefit obligation and is applied prospectively as a change in estimate.

We recognize additional changes in the fair value of plan assets and net actuarial gains or losses of our pension plans upon remeasurement, which occurs at least annually in the fourth quarter of each year. The remaining components of pension expense, primarily net service cost, interest cost, and the expected return on plan assets, are recorded on a quarterly basis as ongoing pension expense. While it is required that we review our actuarial assumptions each year at the measurement date, we generally do not change them between measurement dates. We use a measurement date of December 31 for all of our plans. Changes in assumptions or asset values may have a significant effect on the annual measurement of expense or income in the fourth quarter.

The most significant assumption used in developing our 2017 postemployment plan expense is the assumed rate of involuntary turnover of 4.8%. The involuntary turnover rate is based on historical trends and projections of involuntary turnover in the future. A 0.25% change in the rate of involuntary turnover would have increased or decreased 2016 expense by approximately \$2 million. The sensitivity of the assumptions described above is specific to each individual plan and not to our pension, postretirement and postemployment plans in the aggregate.

Environmental and Legal Contingencies Each quarter, we review the status of each claim and legal proceeding and assess our potential financial exposure. If the potential loss from any claim or legal proceeding would be material and is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. To the extent that the amount of such a probable loss is estimable only by reference to a range of equally likely outcomes, and no amount within the range appears to be a better estimate than any other amount, we accrue the amount at the low end of the range. Because of uncertainties related to these matters, the use of estimates, assumptions and judgments, and external factors beyond our control, accruals are based on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Such revisions in the estimates of the potential liabilities could have a material impact on our results of operations and financial position. Except for the sharing agreement with Appleton Papers Inc. (API) with respect to a particular insurance settlement described in Note 10, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements in Item 8 of

Part II of this Report with respect to the Fox River matter, when insurance carriers or third parties have agreed to pay any amounts related to costs, and we believe that it is probable that we can collect such amounts, those amounts are reflected as receivables in our Consolidated Balance Sheet.

The most significant legal contingency impacting our Company relates to the Fox River matter, which is further described in detail in Note 10, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report. NCR has been identified as a potentially responsible party (PRP) at the Fox River site in Wisconsin. See Note 18, "Subsequent Events" in the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report, for further information with respect to the Fox River matter.

As described below and in Note 10, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report, while substantial progress has been made in the Fox River clean-up, the extent of our potential liability continues to be subject to significant uncertainties. These uncertainties include the total clean-up costs for each of the segments of the river; the extent to which clean-up and other costs will be allocated among NCR and other PRPs in the allocation litigation; and the solvency and willingness to pay of other PRPs, co-obligors or indemnitors. See Note 18, "Subsequent Events" in the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report, for further information with respect to the Fox River matter.

Our net reserve for the Fox River matter as of December 31, 2016 was approximately \$27 million as further discussed in Note 10, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report. The Company regularly re-evaluates the assumptions used in determining the appropriate reserve for the Fox River matter as additional information becomes available and, when warranted, makes appropriate adjustments. See Note 18, "Subsequent Events" in the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report for further information with respect to the Fox River matter.

Income Taxes We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. The deferred tax assets and liabilities are determined based on the enacted tax rates expected to apply in the periods in which the deferred tax assets or liabilities are anticipated to be settled or realized.

We regularly review our deferred tax assets for recoverability and establish a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The determination as to whether a deferred tax asset will be realized is made on a jurisdictional basis and is based on the evaluation of positive and negative evidence. This evidence includes historical taxable income, projected future taxable income, the expected timing of the reversal of existing temporary differences and the implementation of tax planning strategies. Projected future taxable income is based on our expected results and assumptions as to the jurisdiction in which the income will be earned. The expected timing of the reversals of existing temporary differences is based on current tax law and our tax methods of accounting.

If we are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or the time period within which the underlying temporary differences become taxable or deductible, or if the tax laws change unfavorably, then we could be required to increase our valuation allowance against our deferred tax assets, resulting in an increase in our effective tax rate.

We had valuation allowances of \$445 million as of December 31, 2016 and \$346 million as of December 31, 2015, related to certain deferred income tax assets, primarily tax loss carryforwards, in jurisdictions where there is uncertainty as to the ultimate realization of a benefit from those tax assets. At December 31, 2016, our net deferred tax assets in the U.S. totaled approximately \$451 million. For the three year period ended December 31, 2016, we had a cumulative net loss from continuing operations before income taxes, which is generally considered a negative indicator of our ability to realize the benefits of those assets. We evaluated the realizability of the U.S. deferred tax assets by weighing both positive and negative evidence, including our history of taxable income in the U.S., and the substantial length of time over which our deferred tax assets relating to federal tax attribute carryforwards and employee pensions may be realized. Through this assessment, realization of the related benefits was determined to be more likely than not.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement. Interest and penalties related to uncertain tax positions are recognized as part of the provision for income taxes and are accrued beginning in the period that such interest and penalties would be applicable under relevant tax law until such time that the related tax benefits are recognized.

The provision for income taxes may change period-to-period based on non-recurring events, such as the settlement of income tax audits and changes in tax laws, as well as recurring factors including the geographic mix of income before taxes, state and local taxes and the effects of various global income tax strategies. We maintain certain strategic management and operational activities in overseas

subsidiaries and our foreign earnings are taxed at rates that are generally lower than in the United States. As of December 31, 2016, we did not provide for U.S. federal income taxes or foreign withholding taxes on approximately \$2.3 billion of undistributed earnings of our foreign subsidiaries as such earnings are expected to be reinvested indefinitely unless it is determined that future repatriation would give rise to little or no net tax costs.

Refer to Note 7, "Income Taxes" in the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report for disclosures related to foreign and domestic pretax income, foreign and domestic income tax (benefit) expense and the effect foreign taxes have on our overall effective tax rate.

Stock-based Compensation We measure compensation cost for stock awards at fair value and recognize compensation expense over the service period for which awards are expected to vest. We utilize the Black-Scholes option pricing model to estimate the fair value of options at the date of grant, which requires the input of highly subjective assumptions, including expected volatility and expected holding period. We estimate forfeitures for awards granted which are not expected to vest. The estimation of stock awards that will ultimately vest requires judgment, and to the extent that actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period in which estimates are revised. We consider many factors when estimating expected forfeitures, including types of awards and historical experience. Actual results and future changes in estimates may differ from our current estimates.

We have performance-based awards that vest only if specific performance conditions are satisfied, typically at the end of a multi-year performance period, and the service requirement is fulfilled. The number of shares that will be earned can vary based on actual performance. No shares will vest if the objectives are not met, and in the event the objectives are exceeded, additional shares will vest up to a maximum amount. The cost of these awards is expensed over the service period based upon management's estimates of achievement against the performance criteria. Because the actual number of shares to be awarded is not known until the end of the performance period, the actual compensation expense related to these awards could differ from our current expectations.

We also have market-based awards and the cost of the awards is recognized as the requisite service is rendered by the employees, regardless of when, if ever, the market-based performance conditions are satisfied. The fair value of market-based awards is based on the Monte Carlo simulation model. Assumptions and estimates utilized in the calculation of the fair value of the market-based awards include the risk-free interest rate, dividend yield, expected volatility based on the historical volatility of publicly traded peer companies and remaining performance period of the award. The market-based awards vest and result in the issuance of common stock based upon the recipient's continuing employment and the achievement of targeted stock prices for a specified period of time noted in the award agreement.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

A discussion of recently issued accounting pronouncements is described in Note 1, "Basis of Presentation and Significant Accounting Policies" of the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report, and we incorporate by reference such discussion in this MD&A.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

We are exposed to market risks primarily from changes in foreign currency exchange rates and interest rates. It is our policy to manage our foreign exchange exposure and debt structure in order to manage capital costs, control financial risks and maintain financial flexibility over the long term. In managing market risks, we employ derivatives according to documented policies and procedures, including foreign currency contracts and interest rate swaps. We do not use derivatives for trading or speculative purposes.

Foreign Exchange Risk

Since a substantial portion of our operations and revenue occur outside the U.S., and in currencies other than the U.S. Dollar, our results can be significantly impacted by changes in foreign currency exchange rates. We have exposure to approximately 50 functional currencies and are exposed to foreign currency exchange risk with respect to our sales, profits and assets and liabilities denominated in currencies other than the U.S. Dollar. Although we use financial instruments to hedge certain foreign currency risks, we are not fully protected against foreign currency fluctuations and our reported results of operations could be affected by changes in foreign currency exchange rates. To manage our exposures and mitigate the impact of currency fluctuations on the operations of our foreign subsidiaries, we hedge our main transactional exposures through the use of foreign exchange forward and option contracts. These foreign exchange contracts

are designated as highly effective cash flow hedges. This is primarily done through the hedging of foreign currency denominated inter-company inventory purchases by the marketing units. All of these transactions are forecasted. We also use derivatives not designated as hedging instruments consisting primarily of forward contracts to hedge foreign currency denominated balance sheet exposures. For these derivatives we recognize gains and losses in the same period as the remeasurement losses and gains of the related foreign currency-denominated exposures.

We utilize non-exchange traded financial instruments, such as foreign exchange forward and option contracts, that we purchase exclusively from highly rated financial institutions. We record these contracts on our balance sheet at fair market value based upon market price quotations from the financial institutions. We do not enter into non-exchange traded contracts that require the use of fair value estimation techniques, but if we did, they could have a material impact on our financial results.

For purposes of analyzing potential risk, we use sensitivity analysis to quantify potential impacts that market rate changes may have on the fair values of our hedge portfolio related to firmly committed or forecasted transactions. The sensitivity analysis represents the hypothetical changes in value of the hedge position and does not reflect the related gain or loss on the forecasted underlying transaction. A 10% appreciation or depreciation in the value of the U.S. Dollar against foreign currencies from the prevailing market rates would have resulted in a corresponding increase or decrease of \$23 million as of December 31, 2016 in the fair value of the hedge portfolio. The Company expects that any increase or decrease in the fair value of the portfolio would be substantially offset by increases or decreases in the underlying exposures being hedged.

The U.S. Dollar was stronger in 2016 compared to 2015 based on comparable weighted averages for our functional currencies. This had an unfavorable impact of 1% on 2016 revenue versus 2015 revenue. This excludes the effects of our hedging activities and, therefore, does not reflect the actual impact of fluctuations in exchange rates on our operating income.

Interest Rate Risk

We are subject to interest rate risk principally in relation to variable-rate debt. Approximately 72% of our borrowings were on a fixed rate basis as of December 31, 2016. The increase in pre-tax interest expense for the twelve months ended December 31, 2016 from a hypothetical 100 basis point increase in variable interest rates would be approximately \$10 million.

Concentrations of Credit Risk

We are potentially subject to concentrations of credit risk on accounts receivable and financial instruments, such as hedging instruments and cash and cash equivalents. Credit risk includes the risk of nonperformance by counterparties. The maximum potential loss may exceed the amount recognized on the balance sheet. Exposure to credit risk is managed through credit approvals, credit limits, selecting major international financial institutions as counterparties to hedging transactions and monitoring procedures. Our business often involves large transactions with customers for which we do not require collateral. If one or more of those customers were to default in its obligations under applicable contractual arrangements, we could be exposed to potentially significant losses. Moreover, a prolonged downturn in the global economy could have an adverse impact on the ability of our customers to pay their obligations on a timely basis. We believe that the reserves for potential losses are adequate. As of December 31, 2016, we did not have any significant concentration of credit risk related to financial instruments.

Index to Financial Statements and Supplemental Data

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	44
Consolidated Statements of Operations	45
Consolidated Statements of Comprehensive Income	46
Consolidated Balance Sheets	47
Consolidated Statements of Cash Flows	48
Consolidated Statements of Changes in Stockholders' Equity	49
Notes to Consolidated Financial Statements	50
Note 1. Basis of Presentation and Significant Accounting Policies	50
Note 2. Business Combinations and Divestitures	58
Note 3. Restructuring Plan	61
Note 4. Goodwill and Purchased Intangible Assets	62
Note 5. Series A Preferred Stock	63
Note 6. Debt Obligations	65
Note 7. Income Taxes	69
Note 8. Stock Compensation Plans	71
Note 9. Employee Benefit Plans	73
Note 10. Commitments and Contingencies	84
Note 11. Derivatives and Hedging Instruments	89
Note 12. Fair Value of Assets and Liabilities	92
Note 13. Segment Information	94
Note 14. Accumulated Other Comprehensive Income	96
Note 15. Supplemental Financial Information	97
Note 16. Guarantor Financial Statements	98
Note 17. Quarterly Information (Unaudited)	107
Note 18. Subsequent Events	108

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of NCR Corporation:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of NCR Corporation and its subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP

Atlanta, Georgia

February 24, 2017

NCR Corporation
Consolidated Statements of Operations

For the years ended December 31, (in millions, except per share amounts)	2016	2015	2014
Product revenue	\$ 2,737	\$ 2,711	\$ 2,892
Service revenue	3,806	3,662	3,699
Total revenue	6,543	6,373	6,591
Cost of products	2,102	2,072	2,153
Cost of services	2,659	2,832	2,706
Selling, general and administrative expenses	926	1,042	1,012
Research and development expenses	242	230	263
Restructuring-related charges	15	62	104
Total operating expenses	5,944	6,238	6,238
Income from operations	599	135	353
Interest expense	(170)	(173)	(181)
Other (expense), net	(50)	(57)	(35)
Income (loss) from continuing operations before income taxes	379	(95)	137
Income tax expense (benefit)	92	55	(48)
Income (loss) from continuing operations	287	(150)	185
(Loss) income from discontinued operations, net of tax	(13)	(24)	10
Net income (loss)	274	(174)	195
Net income attributable to noncontrolling interests	4	4	4
Net income (loss) attributable to NCR	\$ 270	\$ (178)	\$ 191
Amounts attributable to NCR common stockholders:			
Income (loss) from continuing operations	\$ 283	\$ (154)	\$ 181
Series A convertible preferred stock dividends	(49)	(4)	—
Income (loss) from continuing operations attributable to NCR	234	(158)	181
(Loss) income from discontinued operations, net of tax	(13)	(24)	10
Net income (loss) attributable to NCR common stockholders	\$ 221	\$ (182)	\$ 191
Income (loss) per share attributable to NCR common stockholders:			
Income (loss) per common share from continuing operations			
Basic	\$ 1.86	\$ (0.94)	\$ 1.08
Diluted	\$ 1.80	\$ (0.94)	\$ 1.06
Net income (loss) per common share			
Basic	\$ 1.76	\$ (1.09)	\$ 1.14
Diluted	\$ 1.71	\$ (1.09)	\$ 1.12
Weighted average common shares outstanding			
Basic	125.6	167.6	167.9
Diluted (continuing operations)	157.4	167.6	171.2
Diluted (net income)	129.2	167.6	171.2

The accompanying notes are an integral part of the Consolidated Financial Statements.

NCR Corporation
Consolidated Statements of Comprehensive Income

For the years ended December 31 (in millions)	2016	2015	2014
Net income (loss)	\$ 274	\$ (174)	\$ 195
Other comprehensive income (loss):			
Currency translation adjustments			
Currency translation adjustments	(57)	(50)	(76)
Derivatives			
Unrealized gain (loss) on derivatives	19	10	(1)
(Gains) losses on derivatives arising during the period	(1)	(7)	4
Less income tax expense	(4)	(1)	(1)
Securities			
Gains on securities arising during the period	—	—	(4)
Less income tax benefit	—	—	1
Employee benefit plans			
Prior service benefit (cost)		9	(16)
Amortization of prior service cost	(19)	(21)	(20)
Net (loss) gain arising during the period	(1)	43	8
Amortization of actuarial loss	(2)	2	—
Less income tax benefit (expense)	5	(2)	4
Other comprehensive loss	(60)	(17)	(101)
Total comprehensive income (loss)	214	(191)	94
Less comprehensive income attributable to noncontrolling interests:			
Net income	4	4	4
Currency translation adjustments	(5)	(3)	(3)
Amounts attributable to noncontrolling interests	(1)	1	1
Comprehensive income (loss) attributable to NCR common stockholders	\$ 215	\$ (192)	\$ 93

The accompanying notes are an integral part of the Consolidated Financial Statements.

NCR Corporation
Consolidated Balance Sheets

As of December 31 (in millions except per share amounts)	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 498	\$ 328
Accounts receivable, net	1,282	1,251
Inventories	699	643
Other current assets	278	327
Total current assets	<u>2,757</u>	<u>2,549</u>
Property, plant and equipment, net	287	322
Goodwill	2,727	2,733
Intangibles, net	672	798
Prepaid pension cost	94	130
Deferred income taxes	575	582
Other assets	561	521
Total assets	<u>\$ 7,673</u>	<u>\$ 7,635</u>
Liabilities and stockholders' equity		
Current liabilities		
Short-term borrowings	\$ 50	\$ 13
Accounts payable	781	657
Payroll and benefits liabilities	234	189
Deferred service revenue and customer deposits	468	476
Other current liabilities	432	446
Total current liabilities	<u>1,965</u>	<u>1,781</u>
Long-term debt	3,001	3,239
Pension and indemnity plan liabilities	739	696
Postretirement and postemployment benefits liabilities	127	133
Income tax accruals	142	167
Other liabilities	138	79
Total liabilities	<u>6,112</u>	<u>6,095</u>
Commitments and Contingencies (Note 10)		
Redeemable noncontrolling interest	15	16
Series A convertible preferred stock: par value \$0.01 per share, 3.0 shares authorized, 0.9 shares issued and outstanding as of December 31, 2016 and 0.8 shares issued and outstanding as of December 31, 2015; redemption amount and liquidation preference of \$870 and \$824 as of December 31, 2016 and 2015, respectively	847	798
Stockholders' equity		
NCR stockholders' equity		
Preferred stock: par value \$0.01 per share, 100.0 shares authorized, no shares issued and outstanding as of December 31, 2016 and December 31, 2015	—	—
Common stock: par value \$0.01 per share, 500.0 shares authorized, 124.6 and 133.0 shares issued and outstanding as of December 31, 2016 and December 31, 2015, respectively	1	1
Paid-in capital	32	—
Retained earnings	867	869
Accumulated other comprehensive loss	(205)	(150)
Total NCR stockholders' equity	<u>695</u>	<u>720</u>
Noncontrolling interests in subsidiaries	4	6
Total stockholders' equity	<u>699</u>	<u>726</u>
Total liabilities and stockholders' equity	<u>\$ 7,673</u>	<u>\$ 7,635</u>

The accompanying notes are an integral part of the Consolidated Financial Statements.

NCR Corporation
Consolidated Statements of Cash Flows

For the years ended December 31 (in millions)	2016	2015	2014
Operating activities			
Net income (loss)	\$ 274	\$ (174)	\$ 195
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Loss (income) from discontinued operations	13	24	(10)
Depreciation and amortization	344	308	284
Stock-based compensation expense	61	42	31
Deferred income taxes	10	24	(125)
Gain on sale of property, plant and equipment and other assets	—	(2)	(5)
Loss on divestiture	2	—	—
Impairment of long-lived and other assets	2	63	16
Changes in assets and liabilities:			
Receivables	(89)	28	(104)
Inventories	(86)	(46)	77
Current payables and accrued expenses	216	8	70
Deferred service revenue and customer deposits	88	19	1
Employee benefit plans	33	384	105
Other assets and liabilities	26	3	(11)
Net cash provided by operating activities	894	681	524
Investing activities			
Expenditures for property, plant and equipment	(73)	(79)	(118)
Proceeds from sales of property, plant and equipment	—	19	1
Additions to capitalized software	(154)	(150)	(140)
Business acquisitions, net	—	—	(1,647)
Changes in restricted cash	—	—	1,114
Proceeds from divestiture	47	—	—
Other investing activities, net	(9)	1	2
Net cash used in investing activities	(189)	(209)	(788)
Financing activities			
Short term borrowings, net	(8)	8	—
Payments on term credit facilities	(97)	(383)	(37)
Borrowings on term credit facilities	—	—	250
Payments on revolving credit facilities	(1,431)	(1,694)	(1,050)
Borrowings on revolving credit facilities	1,331	1,698	1,146
Debt issuance costs	(9)	—	(5)
Series A convertible preferred stock issuance, net of issuance costs of \$26 million	—	794	—
Tender offer, including costs of \$5 million	—	(1,005)	—
Repurchases of Company common stock	(250)	—	—
Tax withholding payments on behalf of employees	(16)	(16)	(28)
Proceeds from employee stock plans	15	15	13
Other financing activities	(2)	—	(5)
Net cash (used in) provided by financing activities	(467)	(583)	284
Cash flows from discontinued operations			
Net cash used in discontinued operations operating activities	(39)	(43)	(1)
Effect of exchange rate changes on cash and cash equivalents	(29)	(29)	(36)
Increase (decrease) in cash and cash equivalents	170	(183)	(17)
Cash and cash equivalents at beginning of period	\$ 328	\$ 511	\$ 528
Cash and cash equivalents at end of period	\$ 498	\$ 328	\$ 511
Supplemental data			
Cash paid during the year for:			
Income taxes	\$ 66	\$ 60	\$ 75
Interest	\$ 155	\$ 163	\$ 170

The accompanying notes are an integral part of the Consolidated Financial Statements.

NCR Corporation
Consolidated Statements of Changes in Stockholders' Equity

in millions	NCR Stockholders						
	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Non- Redeemable Interests in Subsidiaries	Total
	Shares	Amount					
December 31, 2013	167	\$ 2	\$ 433	\$ 1,372	\$ (38)	\$ 14	\$ 1,783
Comprehensive income (loss):							
Net income (loss)	—	—	—	191	—	1	192
Other comprehensive (loss) income	—	—	—	—	(98)	(1)	(99)
Total comprehensive income (loss)	—	—	—	191	(98)	—	93
Employee stock purchase and stock compensation plans	2	—	9	—	—	—	9
Dividend distribution to minority shareholder	—	—	—	—	—	(2)	(2)
December 31, 2014	169	2	442	1,563	(136)	12	1,883
Comprehensive income (loss):							
Net income (loss)	—	—	—	(178)	—	2	(176)
Other comprehensive (loss) income	—	—	—	—	(14)	(2)	(16)
Total comprehensive income (loss)	—	—	—	(178)	(14)	—	(192)
Employee stock purchase and stock compensation plans	1	—	50	—	—	—	50
Repurchase of Company common stock	(37)	(1)	(492)	(512)	—	—	(1,005)
Series A convertible preferred stock dividends	—	—	—	(4)	—	—	(4)
Sale of noncontrolling interest	—	—	—	—	—	(6)	(6)
December 31, 2015	133	\$ 1	\$ —	\$ 869	\$ (150)	\$ 6	\$ 726
Comprehensive income (loss):							
Net income (loss)	—	—	—	270	—	2	272
Other comprehensive (loss) income	—	—	—	—	(55)	(2)	(57)
Total comprehensive income (loss)	—	—	—	270	(55)	—	215
Employee stock purchase and stock compensation plans	2	—	59	—	—	—	59
Dividend distribution to minority shareholder	—	—	—	—	—	(2)	(2)
Repurchase of Company common stock	(10)	—	(27)	(223)	—	—	(250)
Series A convertible preferred stock dividends	—	—	—	(49)	—	—	(49)
December 31, 2016	125	\$ 1	\$ 32	\$ 867	\$ (205)	\$ 4	\$ 699

The accompanying notes are an integral part of the Consolidated Financial Statements.

NCR Corporation
Notes to Consolidated Financial Statements

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Business NCR is a leading global provider of omni-channel technology solutions that helps businesses connect, interact and transact with their customers. Our portfolio of self-service and assisted-service solutions are designed to allow businesses in the financial services, retail, hospitality, travel and telecommunications and technology industries to deliver a rich, integrated and personalized experience to consumers across physical and digital commerce channels. Our offerings include automated teller machines (ATMs), point of sale (POS) terminals and devices, self-service kiosks, omni-channel platform software and other software applications, and a complete suite of consulting, implementation, maintenance and managed services. We also resell third-party networking products and provide related service offerings in the telecommunications and technology sectors. Our solutions create value for our customers by allowing them to address consumer demand for convenience, value and individual service across different commerce channels.

Our solutions are based on a foundation of long-established industry knowledge and consulting expertise, value-added software, and hardware technology and global customer support services.

Segments Effective January 1, 2016, NCR began management of its business on a solution basis, changing from the previous model of management on a line of business basis, which resulted in a corresponding change to NCR's reportable segments. We have reclassified prior period segment disclosures to conform to the current period presentation. See Note 13, "Segment Information and Concentrations" for additional information.

Use of Estimates The preparation of financial statements in accordance with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the periods reported. Actual results could differ from those estimates.

Out of Period Adjustments During the third quarter of 2014, the Company recorded \$5 million in income tax expense related to an error in the calculation of foreign income taxable in the U.S. for 2013. The Company determined the impact of this error was not material to the previously filed annual or interim financial statements and the effect of correcting this error was not material to the 2014 annual or interim financial statements.

Subsequent Events The Company evaluated subsequent events through the date that our Consolidated Financial Statements were issued. Except as described in Note 18, "Subsequent Events" with respect to the Company's Fox River environmental matter, no matters were identified that required adjustment of the Consolidated Financial Statements or additional disclosure.

Basis of Consolidation The consolidated financial statements include the accounts of NCR and its majority-owned subsidiaries. Long-term investments in affiliated companies in which NCR owns between 20% and 50%, and therefore, exercises significant influence, but which it does not control, are accounted for using the equity method. Investments in which NCR does not exercise significant influence (generally, when NCR has an investment of less than 20% and no significant influence, such as representation on the investee's board of directors) are accounted for using the cost method. All significant inter-company transactions and accounts have been eliminated. In addition, the Company is required to determine whether it is the primary beneficiary of economic income or losses that may be generated by variable interest entities in which the Company has such an interest. In circumstances where the Company determined it is the primary beneficiary, consolidation of that entity would be required. For the periods presented, no variable interest entities have been consolidated.

Reclassifications Certain prior-period amounts have been reclassified in the accompanying Consolidated Financial Statements and Notes thereto in order to conform to the current period presentation.

Revenue Recognition The Company records revenue, net of taxes, when it is realized, or realizable, and earned. The Company considers these criteria met when persuasive evidence of an arrangement exists, the products or services have been provided to the customer, the sales price is fixed or determinable, and collectability is reasonably assured. For product sales, delivery is deemed to have occurred when the customer has assumed risk of loss of the goods sold and all performance obligations are complete. For service sales, revenue is recognized as the services are provided or ratably over the service period, or, if applicable, after customer acceptance of the services.

NCR frequently enters into multiple-element arrangements with its customers including hardware, software, professional consulting services, transaction services and maintenance support services. For arrangements involving multiple deliverables, when

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

deliverables include software and non-software products and services, NCR evaluates and separates each deliverable to determine whether it represents a separate unit of accounting based on the following criteria: (a) whether the delivered item has value to the customer on a stand-alone basis; and (b) if the contract includes a general right of return relative to the delivered item, whether delivery or performance of the undelivered items is considered probable and substantially in the control of NCR.

Consideration is allocated to each unit of accounting based on the units' relative selling prices. In such circumstances, the Company uses a hierarchy to determine the selling price to be used for allocating revenue to each deliverable: (i) vendor-specific objective evidence of selling price (VSOE); (ii) third-party evidence of selling price (TPE); and (iii) best estimate of selling price (BESP). VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. VSOE is established for our software maintenance and software-related professional services. We use TPE to establish selling prices for our installation and transaction services. The Company uses BESP to allocate revenue when we are unable to establish VSOE or TPE of selling price. BESP is used for hardware maintenance and elements such as products that are not consistently priced within a narrow range. The Company determines BESP for a deliverable by considering multiple factors including product class, geography, average discount, and management's historical pricing practices. Amounts allocated to the delivered hardware and software elements are recognized at the time of sale, provided the other conditions for revenue recognition have been met. Amounts allocated to the undelivered maintenance and other service elements are recognized as the services are provided or on a straight-line basis over the service period. In certain instances, customer acceptance is required prior to the passage of title and risk of loss of the delivered products. In such cases, revenue is not recognized until the customer acceptance is obtained. Delivery and acceptance generally occur in the same reporting period.

In situations where NCR's solutions contain software that is more than incidental, revenue related to the software and software-related elements is recognized in accordance with authoritative guidance on software revenue recognition. For the software and software-related elements of such transactions, revenue is allocated based on the relative fair value of each element, and fair value is determined by VSOE. If the Company cannot objectively determine the fair value of any undelivered element included in such multiple-element arrangements, the Company defers revenue until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements. When the fair value of a delivered element has not been established, but fair value evidence exists for the undelivered elements, the Company uses the residual method to recognize revenue. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is allocated to the delivered elements and is recognized as revenue. If an arrangement includes software and services that involve significant production, modification or customization of the software, the services cannot be separated from the software. The Company accounts for these arrangements as a long-term contract.

For certain of NCR's long-term contracts, the Company utilizes a percentage-of-completion accounting method, which requires estimates of future revenue and costs over the full term of product and/or service delivery. Estimated losses, if any, on long-term projects are recognized as soon as such losses become known.

NCR's customers may request that delivery and passage of title and risk of loss occur on a bill and hold basis. For the years ended December 31, 2016, 2015, and 2014, the revenue recognized from bill and hold transactions approximated less than 1% of total revenue.

In addition to the standard product warranty, the Company periodically offers extended warranties to its customers in the form of product maintenance services. For contracts that are not separately priced but include product maintenance, the Company defers revenue at an amount based on the selling price, using objective and reliable evidence, and recognizes the deferred revenue over the service term. For separately priced product maintenance contracts, NCR defers the stated amount of the separately priced contract and recognizes the deferred revenue ratably over the service term.

Warranty and Sales Returns Provisions for product warranties and sales returns and allowances are recorded in the period in which NCR becomes obligated to honor the related right, which generally is the period in which the related product revenue is recognized. The Company accrues warranty reserves based upon historical factors such as labor rates, average repair time, travel time, number of service calls per machine and cost of replacement parts. When a sale is consummated, a warranty reserve is recorded based upon the estimated cost to provide the service over the warranty period. The Company accrues sales returns and allowances using percentages of revenue to reflect the Company's historical average of sales return claims.

Research and Development Costs Research and development costs primarily include payroll and benefit-related costs, contractor fees, facilities costs, infrastructure costs, and administrative expenses directly related to research and development support and are expensed as incurred, except certain software development costs are capitalized after technological feasibility of the software is established.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Advertising Advertising costs are recognized in selling, general and administrative expenses when incurred.

Shipping and Handling Costs related to shipping and handling are included in cost of products in the Consolidated Statements of Operations.

Stock Compensation Stock-based compensation represents the costs related to share-based awards granted to employees and non-employee directors. The Company's outstanding stock-based compensation awards are classified as equity. The Company measures stock-based compensation cost at the grant date, based on the estimated fair value of the award and recognizes the cost over the requisite service period. See Note 8 "Stock Compensation Plans" for further information on NCR's stock-based compensation plans.

Income Taxes Income tax expense is provided based on income before income taxes. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are determined based on the enacted tax rates expected to apply in the periods in which the deferred assets or liabilities are expected to be settled or realized. NCR records valuation allowances related to its deferred income tax assets when it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being sustained upon examination by authorities. Interest and penalties related to uncertain tax positions are recognized as part of the provision for income taxes and are accrued beginning in the period that such interest and penalties would be applicable under relevant tax law and until such time that the related tax benefits are recognized.

Earnings Per Share Basic earnings per share (EPS) is calculated by dividing net income, less any dividends, accretion or decretion, redemption or induced conversion on our Series A Convertible Preferred Stock, by the weighted average number of shares outstanding during the reported period.

In computing diluted EPS, we adjust the numerator used in the basic EPS computation, subject to anti-dilution requirements, to add back the dividends (declared or cumulative undeclared) applicable to the Series A Convertible Preferred Stock. Such add-back would also include any adjustments to equity in the period to accrete the Series A Convertible Preferred Stock to its redemption price, or recorded upon a redemption or induced conversion. We adjust the denominator used in the basic EPS computation, subject to anti-dilution requirements, to include the dilution from potential shares resulting from the issuance of the Series A Convertible Preferred Stock, restricted stock units, and stock options. The Company includes the potential windfall or shortfall tax benefits as well as average unrecognized compensation expense as part of the assumed proceeds from restricted stock units and exercises of stock options. The Company uses the tax law ordering approach to determine the potential utilization of windfall benefits.

The holders of Series A Convertible Preferred Stock and unvested restricted stock units do not have nonforfeitable rights to common stock dividends or common stock dividend equivalents. Accordingly, the Series A Convertible Preferred Stock and unvested restricted stock units do not qualify as participating securities. See Note 8, "Stock Compensation Plans" for share information on NCR's stock compensation plans.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

The components of basic earnings (loss) per share are as follows:

In millions, except per share amounts	Twelve months ended December 31		
	2016	2015	2014
Income (loss) from continuing operations	\$ 283	\$ (154)	\$ 181
Series A convertible preferred stock dividends	(49)	(4)	—
Numerator - from continuing operations	234	(158)	181
Loss (income) from discontinued operations, net of tax	(13)	(24)	10
Numerator - total	\$ 221	\$ (182)	\$ 191
Denominator			
Basic weighted average number of shares outstanding	125.6	167.6	167.9
Basic earnings (loss) per share:			
From continuing operations	\$ 1.86	\$ (0.94)	\$ 1.08
From discontinued operations	(0.10)	(0.15)	0.06
Total basic earnings (loss) per share	\$ 1.76	\$ (1.09)	\$ 1.14

The components of diluted earnings (loss) per share are as follows:

In millions, except per share amounts	Twelve months ended December 31		
	2016	2015	2014
Income (loss) from continuing operations	\$ 283	\$ (154)	\$ 181
Series A convertible preferred stock dividends	—	(4)	—
Numerator - from continuing operations	283	(158)	181
Income (loss) from continuing operations	\$ 283	\$ (154)	\$ 181
Loss from discontinued operations, net of tax	(13)	(24)	10
Series A convertible preferred stock dividends	(49)	(4)	—
Numerator - total	\$ 221	\$ (182)	\$ 191
Basic weighted average number of shares outstanding	125.6	167.6	167.9
Dilutive effect of as-if Series A Convertible Preferred Stock	28.2	—	—
Dilutive effect of employee stock options and restricted stock units	3.6	—	3.3
Denominator - from continuing operations	157.4	167.6	171.2
Basic weighted average number of shares outstanding	125.6	167.6	167.9
Dilutive effect of employee stock options and restricted stock units	3.6	—	3.3
Denominator - total	129.2	167.6	171.2
Diluted earnings (loss) per share:			
From continuing operations	\$ 1.80	\$ (0.94)	\$ 1.06
From discontinued operations	(0.10)	(0.15)	0.06
Total diluted earnings (loss) per share	\$ 1.71	\$ (1.09)	\$ 1.12

For 2016 diluted earnings (loss) per share from continuing operations, it is more dilutive to assume the Series A Convertible Preferred Stock is converted to common stock and therefore weighted average outstanding shares of common stock are adjusted

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

by the as-if converted Series A Convertible Preferred Stock. For 2016 total diluted earnings (loss) per share, it is more dilutive to assume the Series A Convertible Preferred Stock is not converted to common stock and therefore weighted average outstanding shares of common stock are not adjusted by the as-if converted Series A Convertible Preferred Stock shown above because the effect would be anti-dilutive. Therefore, total diluted earnings (loss) per share less diluted earnings (loss) per share from continuing operations does not equal diluted earnings (loss) per share from discontinued operations. For 2016, there were 0.4 million weighted anti-dilutive restricted stock units outstanding.

For 2015, it is more dilutive to assume the Series A Convertible Preferred Stock is not converted to common stock and therefore weighted average outstanding shares of common stock are not adjusted by the as-if converted Series A Convertible Preferred Stock because the effect would be anti-dilutive. If the as-if converted Series A Convertible Preferred Stock had been dilutive, approximately 2.0 million additional shares would have been included in the diluted weighted average number of shares outstanding for the year ended December 31, 2015.

For 2015, due to the net loss attributable to NCR common stockholders, potential common shares that would cause dilution, such as the Series A Convertible Preferred Stock, restricted stock units and stock options, have been excluded from the diluted share count because their effect would have been anti-dilutive. For the year ended December 31, 2015, the fully diluted shares would have been 172.2 million shares.

For 2014 there were no anti-dilutive awards.

Cash and Cash Equivalents All short-term, highly liquid investments having original maturities of three months or less, including time deposits, are considered to be cash equivalents.

Allowance for Doubtful Accounts NCR establishes provisions for doubtful accounts using percentages of accounts receivable balances to reflect historical average credit losses and specific provisions for known issues.

Inventories Inventories are stated at the lower of cost or net realizable value, using the average cost method. Cost includes materials, labor and manufacturing overhead related to the purchase and production of inventories. Service parts are included in inventories and include reworkable and non-reworkable service parts. The Company regularly reviews inventory quantities on hand, future purchase commitments with suppliers and the estimated utility of inventory. If the review indicates a reduction in utility below carrying value, inventory is reduced to a new cost basis. Excess and obsolete write-offs are established based on forecasted usage, orders, technological obsolescence and inventory aging.

Capitalized Software Certain direct development costs associated with internal-use software are capitalized within other assets and amortized over the estimated useful lives of the resulting software. NCR typically amortizes capitalized internal-use software on a straight-line basis over four to seven years beginning when the asset is substantially ready for use, as this is considered to approximate the usage pattern of the software. When it becomes probable that internal-use software being developed will not be completed or placed into service, the internal-use software is reported at the lower of the carrying amount or fair value.

Costs incurred for the development of software that will be sold, leased or otherwise marketed are capitalized when technological feasibility has been established. These costs are included within other assets and are amortized on a sum-of-the-years' digits or straight-line basis over the estimated useful lives ranging from three to five years, using the method that most closely approximates the sales pattern of the software. Amortization begins when the product is available for general release. Costs capitalized include direct labor and related overhead costs. Costs incurred prior to technological feasibility or after general release are expensed as incurred. NCR performs periodic reviews to ensure that unamortized program costs remain recoverable from future revenue. If future revenue does not support the unamortized program costs, the amount by which the unamortized capitalized cost of a software product exceeds the net realizable value is written off.

The following table identifies the activity relating to total capitalized software:

In millions	2016	2015	2014
Beginning balance as of January 1	\$ 311	\$ 257	\$ 193
Capitalization	154	150	140
Amortization	(118)	(80)	(69)
Impairment	(2)	(16)	(7)
Ending balance as of December 31	<u>\$ 345</u>	<u>\$ 311</u>	<u>\$ 257</u>

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Goodwill and Other Intangible Assets Goodwill represents the excess of purchase price over the fair value of the net tangible and identifiable intangible assets of businesses acquired. Goodwill is tested at the reporting unit level for impairment on an annual basis during the fourth quarter or more frequently if certain events occur indicating that the carrying value of goodwill may be impaired. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include a decline in expected cash flows, a significant adverse change in legal factors or in the business climate, a decision to sell a business, unanticipated competition, or slower growth rates, among others.

In the evaluation of goodwill for impairment, we have the option to perform a qualitative assessment to determine whether further impairment testing is necessary or to perform a quantitative assessment by comparing the fair value of a reporting unit to its carrying amount, including goodwill. Under the qualitative assessment, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. If under the quantitative assessment the fair value of a reporting unit is less than its carrying amount, then the amount of the impairment loss, if any, must be measured under step two of the impairment analysis. In step two of the analysis, we will record an impairment loss equal to the excess of the carrying value of the reporting unit's goodwill over its implied fair value should such a circumstance arise. Fair values of the reporting units are estimated using a weighted methodology considering the output from both the income and market approaches. The income approach incorporates the use of discounted cash flow (DCF) analysis. A number of significant assumptions and estimates are involved in the application of the DCF model to forecast operating cash flows, including markets and market shares, sales volumes and prices, costs to produce, tax rates, capital spending, discount rate and working capital changes. Several of these assumptions vary among reporting units. The cash flow forecasts are generally based on approved strategic operating plans. The market approach is performed using the Guideline Public Companies (GPC) method which is based on earnings multiple data. We perform a reconciliation between our market capitalization and our estimate of the aggregate fair value of the reporting units, including consideration of a control premium. During the fourth quarter of each year presented, we performed our annual impairment assessment of goodwill which did not indicate that an impairment existed.

As of December 31, 2015, we determined that it was probable that we would dispose of our IPS business, which triggered an impairment assessment of the related assets which include long-lived assets and goodwill. Refer to Note 4, "Goodwill and Purchased Intangible Assets" for further discussion on the assessment.

Effective January 1, 2016, NCR began management of its business on a solution basis, changing from the previous model of management on a line of business basis, which resulted in a corresponding change to NCR's reportable segments, as described above. Accordingly, we have reclassified prior period segment disclosures to conform to the current period presentation. In connection with the change in reportable segments, during the first quarter of 2016, the Company determined its reporting units and then assigned goodwill to the new reporting units based on the relative fair value allocation approach.

Acquired intangible assets other than goodwill are amortized over their weighted average amortization period unless they are determined to be indefinite. Acquired intangible assets are carried at cost, less accumulated amortization. For intangible assets purchased in a business combination, the estimated fair values of the assets received are used to establish the carrying value. The fair value of acquired intangible assets is determined using common techniques, and the Company employs assumptions developed using the perspective of a market participant.

Property, Plant and Equipment Property, plant and equipment and leasehold improvements are stated at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of the related assets primarily on a straight-line basis. Machinery and other equipment are depreciated over 3 to 20 years and buildings over 25 to 45 years. Leasehold improvements are depreciated over the life of the lease or the asset, whichever is shorter. Assets classified as held for sale are not depreciated. Upon retirement or disposition of property, plant and equipment, the related cost and accumulated depreciation or amortization are removed from the Company's accounts, and a gain or loss is recorded. Depreciation expense related to property, plant and equipment was \$90 million, \$91 million, and \$83 million for the years ended December 31, 2016, 2015, and 2014, respectively.

Valuation of Long-Lived Assets Long-lived assets such as property, plant and equipment and finite-lived intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable or in the period in which the held for sale criteria are met. For assets held and used, this analysis consists of comparing the asset's carrying value to the expected future cash flows to be generated from the asset on an undiscounted basis. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market values, discounted cash flows, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. Refer to Note 4, "Goodwill and Purchased Intangible Assets" for further discussion.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Pension, Postretirement and Postemployment Benefits NCR has significant pension, postretirement and postemployment benefit costs, which are developed from actuarial valuations. Actuarial assumptions are established to anticipate future events and are used in calculating the expense and liabilities relating to these plans. These factors include assumptions the Company makes about interest rates, expected investment return on plan assets, rate of increase in healthcare costs, total and involuntary turnover rates, and rates of future compensation increases. In addition, NCR also uses subjective factors, such as withdrawal rates and mortality rates to develop the Company's valuations. NCR generally reviews and updates these assumptions on an annual basis. NCR is required to consider current market conditions, including changes in interest rates, in making these assumptions. The actuarial assumptions that NCR uses may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates, or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of pension, postretirement or postemployment benefits expense, and the related assets and liabilities, the Company has recorded or may record.

Environmental and Legal Contingencies In the normal course of business, NCR is subject to various proceedings, lawsuits, claims and other matters, including, for example, those that relate to the environment and health and safety, labor and employment, employee benefits, import/export compliance, intellectual property, data privacy and security, product liability, commercial disputes and regulatory compliance, among others. Additionally, NCR is subject to diverse and complex laws, regulations, and standards including those relating to corporate governance, public disclosure and reporting, environmental safety and the discharge of materials into the environment, product safety, import and export compliance, data privacy and security, antitrust and competition, government contracting, anti-corruption, and labor and human resources, which are rapidly changing and subject to many possible changes in the future. Compliance with these laws and regulations, including changes in accounting standards, taxation requirements, and federal securities laws among others, may create a substantial burden on, and substantially increase the costs to NCR or could have an impact on NCR's future operating results. NCR believes that the amounts provided in its Consolidated Financial Statements are adequate in light of the probable and estimable liabilities. However, there can be no assurances that the actual amounts required to satisfy alleged liabilities from various lawsuits, claims, legal proceedings and other matters, including the Fox River and Kalamazoo River environmental matters discussed in Note 10, "Commitments and Contingencies" and Note 18, "Subsequent Events," and to comply with applicable laws and regulations, will not exceed the amounts reflected in NCR's Consolidated Financial Statements or will not have a material adverse effect on the Company's consolidated results of operations, financial condition or cash flows. Any costs that may be incurred in excess of those amounts provided as of December 31, 2016 cannot currently be reasonably determined or are not currently considered probable.

Legal fees and expenses related to loss contingencies are typically expensed as incurred, except for certain costs associated with NCR's environmental remediation obligations. Costs and fees associated with litigating the extent and type of required remedial actions and the allocation of remediation costs among potentially responsible parties are typically included in the measurement of the environmental remediation liabilities.

Leases The Company accounts for material escalation clauses, free or reduced rents and landlord incentives contained in operating type leases on a straight-line basis over the lease term, including any reasonably assured lease renewals. For leasehold improvements that are funded by the landlord, the Company records the incentive as deferred rent. The deferred rent is then amortized as reductions to lease expense over the lease term. For capital leases where NCR is the lessee, we record an amortizable debt and a related fixed asset in the Consolidated Balance Sheet.

Foreign Currency For many NCR international operations, the local currency is designated as the functional currency. Accordingly, assets and liabilities are translated into U.S. Dollars at year-end exchange rates, and revenue and expenses are translated at average exchange rates prevailing during the year. Currency translation adjustments from local functional currency countries resulting from fluctuations in exchange rates are recorded in other comprehensive income. Where the U.S. Dollar is the functional currency, remeasurement adjustments are recorded in other (expense), net.

Derivative Instruments In the normal course of business, NCR enters into various financial instruments, including derivative financial instruments. The Company accounts for derivatives as either assets or liabilities in the Consolidated Balance Sheets at fair value and recognizes the resulting gains or losses as adjustments to earnings or other comprehensive income. For derivative instruments that are designated and qualify as hedging instruments, the Company formally documents the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. Hedging activities are transacted only with highly rated institutions, reducing exposure to credit risk in the event of nonperformance. Additionally, the Company completes assessments related to the risk of counterparty nonperformance on a regular basis.

The accounting for changes in fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. For those derivative instruments that are designated

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

and qualify as hedging instruments, the Company has designated the hedging instrument, based on the exposure being hedged, as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation. For derivative instruments designated as fair value hedges, the effective portion of the hedge is recorded as an offset to the change in the fair value of the hedged item, and the ineffective portion of the hedge, if any, is recorded in the Consolidated Statement of Operations. For derivative instruments designated as cash flow hedges and determined to be highly effective, the gains or losses are deferred in other comprehensive income and recognized in the determination of income as adjustments of carrying amounts when the underlying hedged transaction is realized, canceled or otherwise terminated. When hedging certain foreign currency transactions of a long-term investment nature (net investments in foreign operations) gains and losses are recorded in the currency translation adjustment component of accumulated other comprehensive loss. Gains and losses on foreign exchange contracts that are not used to hedge currency transactions of a long-term investment nature, or that are not designated as cash flow or fair value hedges, are recognized in other (expense), net as exchange rates change.

Fair Value of Assets and Liabilities Fair value is defined as an exit price, representing an amount that would be received to sell an asset or the amount paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the guidance prioritizes the inputs used to measure fair value into the following three-tier fair value hierarchy:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active or inputs, other than quoted prices in active markets, that are observable either directly or indirectly
- Level 3: Unobservable inputs for which there is little or no market data

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. The Company reviews the fair value hierarchy classification on a quarterly basis. Changes to the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy.

NCR measures its financial assets and financial liabilities at fair value based on one or more of the following three valuation techniques:

- Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach: Amount that would be required to replace the service capacity of an asset (replacement cost).
- Income approach: Techniques to convert future amounts to a single present amount based upon market expectations (including present value techniques, option pricing and excess earnings models).

We regularly review our investments to determine whether a decline in fair value, if any, below the cost basis is other than temporary. If the decline in the fair value is determined to be other than temporary, the cost basis of the security is written down to fair value and the amount of the write-down is included in the Consolidated Statement of Operations. For qualifying investments in debt or equity securities, a temporary impairment charge would be recognized in other comprehensive income (loss).

Redeemable Noncontrolling Interests and Related Party Transactions In 2011, we sold a 49% voting equity interest in NCR Brasil - Indústria de Equipamentos para Automação S.A., a subsidiary of the Company (NCR Manaus) to Scopus Tecnologia Ltda. (Scopus). Under our investment agreements with Scopus, Scopus may elect to sell its shares in NCR Manaus at the then-current fair value to a third party that is not a competitor of NCR. If Scopus is unable to locate a buyer, Scopus may require NCR to purchase its noncontrolling interest for its then-current fair value.

We recognized \$82 million, \$59 million and \$87 million in revenue related to Banco Bradesco SA (Bradesco), the parent of Scopus, for the years ended December 31, 2016, 2015 and 2014, respectively, and we had \$10 million and \$11 million in receivables outstanding from Bradesco as of December 31, 2016 and 2015.

Recent Accounting Pronouncements

Issued

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

In May 2014, the FASB issued a new revenue recognition standard that will supersede current revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will be effective for the first interim period within annual periods beginning after December 15, 2017, with early adoption permitted for annual periods beginning after December 15, 2016, and can be adopted either retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption. We are currently in the assessment phase of implementing this standard. We have determined a substantial majority of our new accounting policies that will be effective upon adoption. We have not yet quantified and are not yet able to make a reasonable estimate of the impact of the new revenue standard on our consolidated financial statements. As we continue our analysis of the impact on our consolidated financial statements and related disclosures, we will evaluate and determine the appropriate adoption methodology. There are also certain considerations related to internal control over financial reporting that are associated with implementing the standard. We are currently evaluating our control framework and identifying any changes that may need to be made in response to the new guidance.

In February 2016, the FASB issued a new leasing standard that will supersede current guidance related to accounting for leases. The guidance is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The standard will be effective for the first interim period within annual periods beginning after December 15, 2018, with early adoption permitted. The standard is required to be adopted using the modified retrospective approach. The Company is evaluating the impact that adopting this guidance will have on its consolidated financial statements and internal controls over financial reporting.

In March 2016, the FASB issued new guidance that will amend the accounting standard related to employee share based payments. The guidance requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital pools. The guidance also allows for the employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. The guidance will be effective for the first interim period within annual periods beginning after December 15, 2016, with early adoption permitted. Adoption approach varies based on the amendment topic. As a result of the adoption, we expect to record an adjustment to retained earnings of approximately \$39 million to recognize federal tax credit carryforwards attributable to excess tax benefits on stock compensation that had not been previously recognized to additional paid in capital. The Company also expects the new standard to have an impact on the recording of excess tax benefits and deficiencies in our consolidated balance sheets and consolidated statements of income and comprehensive income. However, the magnitude of such impact is dependent upon our future grants of stock awards, our future stock price in relation to the fair value of awards on the grant date and the exercise behavior of stock option holders.

In January 2017, the FASB issued an accounting standards update with new guidance intended to simplify the subsequent measurement of goodwill. The standards update eliminates the requirement for an entity to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, an entity will perform its annual, or interim, goodwill impairment testing by comparing the fair value of a reporting unit with its carrying amount and recording an impairment charge for the amount by which the carrying amount exceeds the fair value. The standards update is effective prospectively for annual and interim goodwill impairment testing performed in fiscal years beginning after December 15, 2019. The adoption of this standards update is not expected to impact our consolidated financial statements.

2. BUSINESS COMBINATIONS AND DIVESTITURES

Interactive Printer Solutions (IPS) Divestiture

As of December 31, 2015, we determined that it was probable that we would dispose of our Interactive Printer Solutions (IPS) business, which triggered an impairment assessment of the related assets which include long-lived assets and goodwill. The assets related to the IPS business were valued using a market approach based on an independent third-party market price. The assessment resulted in charges to reduce the carrying values of goodwill and property, plant and equipment, net by \$16 million and \$18 million, respectively, for a total charge of \$34 million recorded in other (expense), net in the Consolidated Statements of Operations for the year ended December 31, 2015. The remaining assets and liabilities of \$89 million and \$39 million, respectively, were classified as held for sale and were included in other current assets and other current liabilities, respectively, in the Consolidated Balance Sheets as of December 31, 2015.

On May 27, 2016, NCR completed the sale of all but the Middle East and Africa (MEA) assets of the IPS business to Atlas Holdings LLC for cash consideration of \$47 million. In connection with the sale, NCR agreed to provide Atlas Holdings with certain support services on a short-term basis following the closing under a transition services agreement. During the year ended December 31,

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

2016, a loss on sale of \$2 million was recorded to other (expense), net in the Consolidated Statement of Operations. The remaining assets and liabilities related to the MEA IPS business are held for use in the Consolidated Balance Sheet for the year ended December 31, 2016.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Digital Insight Acquisition

On January 10, 2014, NCR completed its acquisition of Digital Insight Corporation (Digital Insight), for which it paid an aggregate purchase price of \$1.65 billion, which includes \$5 million that was withheld by the Company as a source of recovery for possible claims pursuant to the acquisition agreement and was paid to the sellers in the third quarter of 2014 pursuant to the terms of such agreement. The purchase price was paid from the net proceeds of the December 2013 offer and sale of NCR's 5.875% and 6.375% senior unsecured notes and borrowings under NCR's senior secured credit facility. As a result of the acquisition, Digital Insight became a wholly owned subsidiary of NCR.

Digital Insight was a leading U.S. based provider of cloud-based customer-facing digital banking software to domestic financial institutions. The acquisition is consistent with NCR's continued transformation to a software-driven, hardware-enabled business. Digital Insight complements and extends our existing capabilities in the banking industry to form a complete enterprise software platform across both physical and digital channels - mobile, online, branch, and ATM. From the acquisition date of January 10, 2014 through December 31, 2014, Digital Insight contributed \$349 million in revenue and \$104 million in operating income.

Recording of Assets Acquired and Liabilities Assumed The fair value of consideration transferred to acquire Digital Insight was allocated to the identifiable assets acquired and liabilities assumed based upon their estimated fair market values as of the date of the acquisition as set forth below. This allocation was final as of December 31, 2014.

The allocation of the purchase price for Digital Insight was as follows:

In millions	Fair Value
Tangible assets acquired	\$73
Acquired intangible assets other than goodwill	559
Acquired goodwill	1,243
Deferred tax liabilities	(190)
Liabilities assumed	(37)
Total purchase consideration	<u>\$1,648</u>

Goodwill represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. The goodwill arising from the acquisition consists of the revenue synergies expected from combining the operations of NCR and Digital Insight. It is expected that none of the goodwill recognized in connection with the acquisition will be deductible for tax purposes. Refer to Note 4, "Goodwill and Purchased Intangible Assets" for the carrying amounts of goodwill by segment.

The intangible assets acquired in the acquisition include the following:

	Estimated Fair Value	Weighted Average Amortization Period ⁽¹⁾
	(In millions)	(In years)
Direct customer relationships	\$ 336	18
Technology - Software	121	5
Customer contracts	89	8
Tradenames	13	7
Total acquired intangible assets	<u>\$ 559</u>	<u>13</u>

⁽¹⁾ Determination of the weighted average amortization period of the individual categories of intangible assets was based on the nature of the applicable intangible asset and the expected future cash flows to be derived from the intangible asset. Amortization of intangible assets with definite lives is recognized over the period of time the assets are expected to contribute to future cash flows.

The Company incurred \$8 million of transaction expenses relating to the acquisition which are included in selling, general and administrative expenses in the Company's Consolidated Statement of Operations for the year ended December 31, 2014.

Unaudited Pro forma Information The following unaudited pro forma information presents the consolidated results of NCR and Digital Insight for the year ended 2014. The unaudited pro forma information is presented for illustrative purposes only. It is not

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

necessarily indicative of the results of operations of future periods, or the results of operations that actually would have been realized had the entities been a single company during the periods presented or the results that the combined company will experience after the acquisition. The unaudited pro forma information does not give effect to the potential impact of current financial conditions, regulatory matters or any anticipated synergies, operating efficiencies or cost savings that may be associated with the acquisition. The unaudited pro forma information also does not include any integration costs or remaining future transaction costs that the companies may incur related to the acquisition as part of combining the operations of the companies.

The unaudited pro forma financial information for the year ended 2014 combines the results of NCR for the year ended December 31, 2014, which include the results of Digital Insight subsequent to January 10, 2014 (the acquisition date) and the historical results for Digital Insight for the 10 days preceding the acquisition date.

The unaudited pro forma consolidated results of operations, assuming the acquisition had occurred on January 1, 2014, are as follows:

In millions	For the year ended December 31, 2014	
Revenue	\$	6,599
Net income attributable to NCR	\$	175

The unaudited pro forma results for the year ended December 31, 2014 include \$8 million, net of tax, in eliminated transaction costs as if those costs had been recognized in the prior-year period.

3. RESTRUCTURING PLAN

In July 2014, we announced a restructuring plan to strategically reallocate resources so that we can focus on higher-growth, higher-margin opportunities in the software-driven omni-channel industry. The program is centered on ensuring that our people and processes are aligned with our continued transformation and includes: rationalizing our product portfolio to eliminate overlap and redundancy; taking steps to end-of-life older commodity product lines that are costly to maintain and provide low margins; 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. As of December 31, 2016, this plan is substantially complete.

As a result of the restructuring plan, the Company recorded total charges of \$19 million, \$74 million and \$161 million in the years ended December 31, 2016, 2015 and 2014 respectively. The Company expects to achieve annualized run-rate savings of approximately \$105 million as a result of this program.

Charges related to the restructuring plan for the years ended December 31 were as follows:

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

In millions	For the twelve months ended December 31		
	2016	2015	2014
<i>Severance and other employee-related costs</i>			
ASC 712 charges included in restructuring-related charges	\$ 4	\$ 1	\$ 73
ASC 420 charges included in restructuring-related charges	—	19	13
<i>Inventory-related charges</i>			
Charges included in cost of products	—	5	9
Charges included in cost of services	4	7	47
<i>Asset-related charges</i>			
External and internal use software impairment charges included in restructuring-related charges	2	16	7
Impairment of long-lived assets included in restructuring-related charges	—	13	6
Other than temporary impairment of an investment included in other (expense), net	—	—	3
<i>Other exit costs</i>			
Other exit costs included in restructuring-related charges	9	13	5
<i>Net income attributable to noncontrolling interests</i>			
Charges included in net income attributable to noncontrolling interests	—	—	(2)
Total restructuring-related charges	\$ 19	\$ 74	\$ 161

In the year ended December 31, 2016, asset-related charges include the write-off of certain capitalized software for projects that have been abandoned. In the year ended December 31, 2015, asset-related charges include the write-off of certain capitalized software for projects that have been abandoned as well as an impairment of long-lived assets that are no longer considered strategic and were sold. In the year ended December 31, 2014, asset-related charges include the write-off of certain internal and external use capitalized software for projects where the Company has redirected resources to higher growth opportunities and abandoned certain projects. Additionally, the charges include an other than temporary impairment for an investment that was no longer considered strategic. See Note 12, "Fair Value of Assets and Liabilities" for additional information.

The results by segment, as disclosed in Note 13, "Segment Information and Concentrations," exclude the impact of these costs, which is consistent with the manner by which management assesses the performance and evaluates the results of each segment.

The following table summarizes the costs recorded in accordance with ASC 420, *Exit or Disposal Cost Obligations*, and ASC 712, *Employers' Accounting for Postemployment Benefits*, and the remaining liabilities as of December 31, 2016 and 2015, which are included in the Consolidated Balance Sheet in other current liabilities.

In millions	2016	2015
Employee Severance and Other Exit Costs		
Beginning balance as of January 1	\$20	\$60
Cost recognized during the period	15	38
Change in estimated payments	(2)	(5)
Utilization	(32)	(71)
Currency translation adjustments	—	(2)
Ending balance as of December 31	\$1	\$20

4. GOODWILL AND PURCHASED INTANGIBLE ASSETS

Goodwill

The carrying amounts of goodwill by segment are included in the tables below. Foreign currency fluctuations are included within other adjustments.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

In millions	January 1, 2016						December 31, 2016		
	Goodwill	Accumulated Impairment Losses	Total	Additions	Impairment	Other	Goodwill	Accumulated Impairment Losses	Total
Software	\$ 1,936	\$ (7)	\$ 1,929	\$ 9	\$ —	\$ (15)	\$ 1,930	\$ (7)	\$ 1,923
Services	658	—	658	—	—	—	658	—	658
Hardware	162	(16)	146	—	—	—	162	(16)	146
Total goodwill	\$ 2,756	\$ (23)	\$ 2,733	\$ 9	\$ —	\$ (15)	\$ 2,750	\$ (23)	\$ 2,727

In millions	January 1, 2015						December 31, 2015		
	Goodwill	Accumulated Impairment Losses	Total	Additions	Impairment	Other	Goodwill	Accumulated Impairment Losses	Total
Software	\$ 1,947	\$ (7)	\$ 1,940	\$ 2	\$ —	\$ (13)	\$ 1,936	\$ (7)	\$ 1,929
Services	658	—	658	—	—	—	658	—	658
Hardware	162	—	162	—	(16)	—	162	(16)	146
Total goodwill	\$ 2,767	\$ (7)	\$ 2,760	\$ 2	\$ (16)	\$ (13)	\$ 2,756	\$ (23)	\$ 2,733

As of December 31, 2015, we determined that it was probable that we would dispose of our IPS business, which triggered an impairment assessment of the related assets which include long-lived assets and goodwill. We evaluated the carrying value of these assets compared to the fair value based on a market approach using an independent third-party market price and determined the goodwill associated with the Hardware reporting unit was impaired. The impairment of \$16 million was recorded within other (expense), net in the Consolidated Statements of Operations for the year ended December 31, 2015. Refer to Note 2, "Business Combinations and Divestitures" for further discussion.

Purchased Intangible Assets

NCR's purchased intangible assets were specifically identified when acquired, and are deemed to have finite lives. These assets are reported in intangibles, net in the Consolidated Balance Sheets. The gross carrying amount and accumulated amortization for NCR's identifiable intangible assets were as set forth in the table below:

In millions	Amortization Period (in Years)	December 31, 2016		December 31, 2015	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Identifiable intangible assets					
Reseller & customer relationships	1 - 20	\$ 656	\$ (128)	\$ 659	\$ (92)
Intellectual property	2 - 8	392	(302)	392	(244)
Customer contracts	8	89	(66)	89	(46)
Tradenames	2 - 10	73	(42)	73	(33)
Total identifiable intangible assets		\$ 1,210	\$ (538)	\$ 1,213	\$ (415)

The aggregate amortization expense (actual and estimated) for identifiable intangible assets for the following periods is:

In millions	For the year ended December 31, 2016	For the years ended December 31 (estimated)				
		2017	2018	2019	2020	2021
Amortization expense	\$ 123	\$ 116	\$ 85	\$ 75	\$ 57	\$ 49

5. SERIES A PREFERRED STOCK

On December 4, 2015, NCR issued 820,000 shares of Series A Convertible Preferred Stock to certain entities affiliated with Blackstone Capital Partners VI L.P. and Blackstone Tactical Opportunities L.L.C. (collectively, Blackstone) for an aggregate

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

purchase price of \$820 million, or \$1,000 per share, pursuant to an Investment Agreement between the Company and Blackstone, dated November 11, 2015. In connection with the issuance of the Series A Convertible Preferred Stock, the Company incurred direct and incremental expenses of \$26 million, including financial advisory fees, closing costs, legal expenses and other offering-related expenses. These direct and incremental expenses originally reduced the Series A Convertible Preferred Stock, and will be accreted through retained earnings as a deemed dividend from the date of issuance through the first possible known redemption date, March 16, 2024. As of December 31, 2016 and 2015, the Company had accrued dividends of \$3 million and \$4 million, respectively, associated with the Series A Convertible Preferred Stock. There were no cash dividends declared in the years ended December 31, 2016 and 2015.

Dividend Rights The Series A Convertible Preferred Stock ranks senior to the shares of the Company's common stock, with respect to dividend rights and rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company. The Series A Convertible Preferred Stock has a liquidation preference of \$1,000 per share. Holders of Series A Convertible Preferred Stock are entitled to a cumulative dividend at the rate of 5.5% per annum, payable quarterly in arrears. If the Company does not declare and pay a dividend, the dividend rate will increase to 8.0% per annum until all accrued but unpaid dividends have been paid in full. Dividends are paid in-kind, through the issuance of additional shares of Series A Convertible Preferred Stock, for the first sixteen dividend payment dates, after which dividends will be payable in cash or in-kind at the option of the Company.

Conversion Features The Series A Convertible Preferred Stock is convertible at the option of the holders at any time into shares of common stock at a conversion price of \$30.00 per share and a conversion rate of 33.33 shares of common stock per share of Series A Convertible Preferred Stock. As of December 31, 2016 and 2015, the maximum number of common shares that could be required to be issued if converted is 29.0 million and 27.4 million shares, respectively. The conversion rate is subject to the following customary anti-dilution and other adjustments:

- the issuance of common stock as a dividend or the subdivision, combination, or reclassification of common stock into a greater or lesser number of shares of common stock;
- the dividend, distribution or other issuance of rights, options or warrants to holders of Common Stock entitling them to subscribe for or purchase shares of common stock at a price per share that is less than the volume-weighted average price per share of common stock;
- the completion of a tender offer or exchange offer of shares of common stock at a premium to the volume-weighted average price per share of common stock and certain other above-market purchases of common stock;
- the issuance of a dividend or similar distribution in-kind, which can include shares of any class of capital stock, evidences of the Company's indebtedness, assets or other property or securities, to holders of common stock;
- a transaction in which a subsidiary of the Company ceases to be a subsidiary of the Company as a result of the distribution of the equity interests of the subsidiary to the holders of the Company's common stock; and
- the payment of a cash dividend to the holders of common stock.

At any time after December 4, 2018, all outstanding shares of Series A Convertible Preferred Stock are convertible at the option of the Company if the volume-weighted average price of the common stock exceeds \$54.00 for at least 30 trading days in any period of 45 consecutive trading days. The \$54.00 may be adjusted pursuant to the anti-dilution provisions above.

The Series A Convertible Preferred Stock, and the associated dividends for the first sixteen payments, did not generate a beneficial conversion feature (BCF) upon issuance as the fair value of the Company's common stock was greater than the conversion price. The Company will determine and, if required, measure a BCF based on the fair value of our stock price on the date dividends are declared subsequent to the sixteenth dividend. If a BCF is recognized, a reduction to retained earnings and the Series A Convertible Preferred Stock will be recorded, and then subsequently accreted through the first redemption date.

Additionally, the Company determined that the nature of the Series A Convertible Preferred Stock was more akin to an equity instrument and that the economic characteristics and risks of the embedded conversion options were clearly and closely related to the Series A Convertible Preferred Stock. As such, the conversion options were not required to be bifurcated from the host under ASC 815, *Derivatives and Hedging*.

Redemption Rights On any date during the three months commencing on and immediately following March 16, 2024 and the three months commencing on and immediately following every third anniversary of March 16, 2024, holders of Series A Convertible Preferred Stock have the right to require the Company to repurchase all or any portion of the Series A Convertible Preferred Stock

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

at 100% of the liquidation preference thereof plus all accrued but unpaid dividends. Upon certain change of control events involving the Company, holders of Series A Convertible Preferred Stock can require the Company to repurchase, subject to certain exceptions, all or any portion of the Series A Convertible Preferred Stock at the greater of (1) an amount in cash equal to 100% of the liquidation preference thereof plus all accrued but unpaid dividends and (2) the consideration the holders would have received if they had converted their shares of Series A Preferred Convertible Stock into common stock immediately prior to the change of control event.

The Company has the right, upon certain change of control events involving the Company, to redeem the Series A Convertible Preferred Stock at the greater of (1) an amount in cash equal to the sum of the liquidation preference of the Series A Convertible Preferred Stock, all accrued but unpaid dividends and the present value, discounted at a rate of 10%, of any remaining scheduled dividends through the fifth anniversary of the first dividend payment date, assuming the Company chose to pay such dividends in cash (the "make-whole provision") and (2) the consideration the holders would have received if they had converted their shares of Series A Convertible Preferred Stock into common stock immediately prior to the change of control event.

Since the redemption of the Series A Convertible Preferred Stock is contingently or optionally redeemable and therefore not certain to occur, the Series A Convertible Preferred Stock is not required to be classified as a liability under ASC 480, *Distinguishing Liabilities from Equity*. As the Series A Convertible Preferred Stock is redeemable in certain circumstances at the option of the holder and is redeemable in certain circumstances upon the occurrence of an event that is not solely within our control, we have classified the Series A Convertible Preferred Stock in mezzanine equity on the Consolidated Balance Sheets.

As noted above, the Company determined that the nature of the Series A Convertible Preferred Stock was more akin to an equity instrument. However, the Company determined that the economic characteristics and risks of the embedded put options, call option and make-whole provision were not clearly and closely related to the Series A Convertible Preferred Stock. Therefore, the Company assessed the put and call options further, and determined they did not meet the definition of a derivative under ASC 815, *Derivatives and Hedging*. Under the same analysis, the Company determined the make-whole provision did meet the definition of a derivative, but that the value of the derivative was minimal due to the expectations surrounding the scenarios under which the call option and make-whole provision would be exercised.

Voting Rights Holders of Series A Convertible Preferred Stock are entitled to vote with the holders of the common stock on an as-converted basis. Holders of Series A Convertible Preferred Stock are entitled to a separate class vote with respect to certain designees for election to the Company's Board of Directors, amendments to the Company's organizational documents that have an adverse effect on the Series A Convertible Preferred Stock and issuances by the Company of securities that are senior to, or equal in priority with, the Series A Convertible Preferred Stock.

Registration Rights Holders of Series A Convertible Preferred Stock have certain customary registration rights with respect to the Series A Convertible Preferred Stock and the shares of common stock into which they are converted, pursuant to the terms of a registration rights agreement.

6. DEBT OBLIGATIONS

The following table summarizes the Company's short-term borrowings and long-term debt:

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

In millions, except percentages	December 31, 2016		December 31, 2015	
	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
Short-Term Borrowings				
Current portion of Senior Secured Credit Facility ⁽¹⁾	\$ 45	2.88%	\$ —	
Trade Receivables Securitization Facility	—		—	
Other ⁽²⁾	5	7.41%	13	6.34%
Total short-term borrowings	\$ 50		\$ 13	
Long-Term Debt				
Senior Secured Credit Facility:				
Term loan facility ⁽¹⁾	\$ 821	2.88%	\$ 956	2.95%
Revolving credit facility ⁽¹⁾	—		100	2.61%
Senior notes:				
5.00% Senior Notes due 2022	600		600	
4.625% Senior Notes due 2021	500		500	
5.875% Senior Notes due 2021	400		400	
6.375% Senior Notes due 2023	700		700	
Deferred Financing Fees	(29)		(34)	
Other ⁽²⁾	9	6.64%	17	7.16%
Total long-term debt	\$ 3,001		\$ 3,239	

⁽¹⁾ Interest rates are weighted average interest rates as of December 31, 2016 and 2015. The Senior Secured Credit Facility incorporated the impact of the interest rate swap agreement prior to its expiration in August 2016. Refer to Note 11 "Derivatives and Hedging Instruments" for additional discussion.

⁽²⁾ Interest rates are weighted average interest rates as of December 31, 2016 and 2015 primarily related to various international credit facilities and a note payable in the U.S.

Senior Secured Credit Facility On March 31, 2016, the Company amended and restated its senior secured credit facility with and among certain foreign subsidiaries of NCR (the Foreign Borrowers), the lenders party thereto and JPMorgan Chase Bank, NA (JPMCB) as the administrative agent, and refinanced its term loan facility and revolving credit facility thereunder (the Senior Secured Credit Facility). As of December 31, 2016, the Senior Secured Credit Facility consisted of a term loan facility with an aggregate principal amount outstanding of \$866 million and a revolving credit facility with an aggregate principal amount of \$1,100 million, of which zero was outstanding. The revolving credit facility also allows a portion of the availability to be used for outstanding letters of credit, and as of December 31, 2016, there were no letters of credit outstanding.

Up to \$400 million of the revolving credit facility is available to the Foreign Borrowers. Term loans were made to the Company in U.S. Dollars, and loans under the revolving credit facility are available in U.S. Dollars, Euros and Pound Sterling.

The outstanding principal balance of the term loan facility is required to be repaid in equal quarterly installments of approximately \$11 million beginning June 30, 2016, \$17 million beginning June 30, 2018, and \$23 million beginning June 30, 2019, with the balance being due at maturity on March 31, 2021. Borrowings under the revolving portion of the credit facility are due March 31, 2021. Amounts outstanding under the Senior Secured Credit Facility bear interest at LIBOR (or, in the case of amounts denominated in Euros, EURIBOR), or, at NCR's option, in the case of amounts denominated in U.S. Dollars, at a base rate equal to the highest of (a) the federal funds rate plus 0.50%, (b) JPMCB's "prime rate" and (c) the one-month LIBOR rate plus 1.00% (the Base Rate), plus, in each case, a margin ranging from 1.25% to 2.25% for LIBOR-based loans that are either term loans or revolving loans and EURIBOR-based revolving loans and ranging from 0.25% to 1.25% for Base Rate-based loans that are either term loans or revolving loans, in each case, depending on the Company's consolidated leverage ratio. The terms of the Senior Secured Credit Facility also require certain other fees and payments to be made by the Company, including a commitment fee on the undrawn portion of the revolving credit facility.

The obligations of the Company and Foreign Borrowers under the Senior Secured Credit Facility are guaranteed by certain of the Company's wholly-owned domestic subsidiaries. The Senior Secured Credit Facility and these guarantees are secured by a first priority lien and security interest in certain equity interests owned by the Company and the guarantor subsidiaries in certain of their respective domestic and foreign subsidiaries, and a perfected first priority lien and security interest in substantially all of the

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Company's U.S. assets and the assets of the guarantor subsidiaries, subject to certain exclusions. These security interests would be released if the Company achieves an "investment grade" rating, and will remain released so long as the Company maintains that rating.

The Senior Secured Credit Facility includes affirmative and negative covenants that restrict or limit the ability of the Company and its subsidiaries to, among other things, incur indebtedness; create liens on assets; engage in certain fundamental corporate changes or changes to the Company's business activities; make investments; sell or otherwise dispose of assets; engage in sale-leaseback or hedging transactions; repurchase stock, pay dividends or make similar distributions; repay other indebtedness; engage in certain affiliate transactions; or enter into agreements that restrict the Company's ability to create liens, pay dividends or make loan repayments. The Senior Secured Credit Facility also includes financial covenants that require the Company to maintain:

- a consolidated leverage ratio on the last day of any fiscal quarter, not to exceed (i) in the case of any fiscal quarter ending on or prior to December 31, 2017, (a) the sum of 4.25 and an amount (not to exceed 0.50) to reflect debt used to reduce NCR's unfunded pension liabilities to (b) 1.00, (ii) in the case of any fiscal quarter ending after December 31, 2017 and on or prior to December 31, 2019, (a) the sum of 4.00 and an amount (not to exceed 0.50) to reflect debt used to reduce NCR's unfunded pension liabilities to (b) 1.00, and (iii) in the case of any fiscal quarter ending after December 31, 2019, the sum of (a) 3.75 and an amount (not to exceed 0.50) to reflect debt used to reduce NCR's unfunded pension liabilities to (b) 1.00; and
- an interest coverage ratio on the last day of any fiscal quarter greater than or equal to 3.50 to 1.00.

At December 31, 2016, the maximum consolidated leverage ratio under the Senior Secured Credit Facility was 4.35 to 1.00.

The Senior Secured Credit Facility also includes provisions for events of default, which are customary for similar financings. Upon the occurrence of an event of default, the lenders may, among other things, terminate the loan commitments, accelerate all loans and require cash collateral deposits in respect of outstanding letters of credit. If the Company is unable to pay or repay the amounts due, the lenders could, among other things, proceed against the collateral granted to them to secure such indebtedness.

The Company may request, at any time and from time to time, but the lenders are not obligated to fund, the establishment of one or more incremental term loans and/or revolving credit facilities (subject to the agreement of existing lenders or additional financial institutions to provide such term loans and/or revolving credit facilities) with commitments in an aggregate amount not to exceed the greater of (i) \$150 million, and (ii) such amount as would not (a) prior to the date that the Company obtains an investment grade rating cause the leverage ratio under the Senior Secured Credit Facility, calculated on a pro forma basis including the incremental facility and assuming that it and the revolver are fully drawn, to exceed 2.50 to 1.00, and (b) on and after the date that the Company obtains an "investment grade" rating cause the leverage ratio under the Senior Secured Credit Facility, calculated on a pro forma basis including the incremental facility and assuming that it and the revolver are fully drawn, to exceed a ratio that is 0.50 less than the leverage ratio then applicable under the financial covenants of the Senior Secured Credit Facility, the proceeds of which can be used for working capital requirements and other general corporate purposes.

Senior Unsecured Notes On September 17, 2012, the Company issued \$600 million aggregate principal amount of 5.00% senior unsecured notes due in 2022 (the 5.00% Notes). The 5.00% Notes were sold at 100% of the principal amount and will mature on July 15, 2022. On December 18, 2012, the Company issued \$500 million aggregate principal amount of 4.625% senior unsecured notes due in 2021 (the 4.625% Notes). The 4.625% Notes were sold at 100% of the principal amount and will mature on February 15, 2021. On December 19, 2013, the Company issued \$400 million aggregate principal amount of 5.875% senior unsecured notes due in 2021 (the 5.875% Notes) and \$700 million aggregate principal amount of 6.375% senior unsecured notes due in 2023 (the 6.375% Notes), the proceeds of which were used solely for the acquisition of Digital Insight. The 5.875% Notes were sold at 100% of the principal amount and will mature on December 15, 2021 and the 6.375% Notes were sold at 100% of the principal amount and will mature on December 15, 2023. The senior unsecured notes are guaranteed, fully and unconditionally, on an unsecured senior basis, by our 100% owned subsidiary, NCR International, Inc.

The Company has the option to redeem the 5.00% Notes, in whole or in part, at any time on or after July 15, 2017, at a redemption price of 102.5%, 101.667%, 100.833% and 100% during the 12-month periods commencing on July 15, 2017, 2018, 2019 and 2020 and thereafter, respectively, plus accrued and unpaid interest to the redemption date. Prior to July 15, 2017, the Company may redeem the 5.00% Notes, in whole or in part, at a redemption price equal to 100% of the principal amount plus a make-whole premium and accrued and unpaid interest to the redemption date.

The Company has the option to redeem the 4.625% Notes, in whole or in part, at any time on or after February 15, 2017, at a redemption price of 102.313%, 101.156% and 100% during the 12-month periods commencing on February 15, 2017, 2018 and

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

2019 and thereafter, respectively, plus accrued and unpaid interest to the redemption date. Prior to February 15, 2017, the Company may redeem the 4.625% Notes, in whole or in part, at a redemption price equal to 100% of the principal amount plus a make-whole premium and accrued and unpaid interest to the redemption date.

The Company has the option to redeem the 5.875% Notes, in whole or in part, at any time on or after December 15, 2017, at a redemption price of 102.938%, 101.469% and 100% during the 12-month periods commencing on December 15, 2017, 2018 and 2019 and thereafter, respectively, plus accrued and unpaid interest to the redemption date. Prior to December 15, 2017, the Company may redeem the 5.875% Notes, in whole or in part, at a redemption price equal to 100% of the principal amount plus a make-whole premium and accrued and unpaid interest to the redemption date.

The Company has the option to redeem the 6.375% Notes, in whole or in part, at any time on or after December 15, 2018, at a redemption price of 103.188%, 102.125%, 101.063% and 100% during the 12-month periods commencing on December 15, 2018, 2019, 2020 and 2021 and thereafter, respectively, plus accrued and unpaid interest to the redemption date. Prior to December 15, 2018, the Company may redeem the 6.375% Notes, in whole or in part, at a redemption price equal to 100% of the principal amount plus a make-whole premium and accrued and unpaid interest to the redemption date. .

The terms of the indentures for these notes limit the ability of the Company and certain of its subsidiaries to, among other things, incur additional debt or issue redeemable preferred stock; pay dividends or make certain other restricted payments or investments; incur liens; sell assets; incur restrictions on the ability of the Company's subsidiaries to pay dividends to the Company; enter into affiliate transactions; engage in sale and leaseback transactions; and consolidate, merge, sell or otherwise dispose of all or substantially all of the Company's or such subsidiaries' assets. These covenants are subject to significant exceptions and qualifications. For example, if these notes are assigned an "investment grade" rating by Moody's or S&P and no default has occurred or is continuing, certain covenants will be terminated.

Trade Receivables Securitization Facility In November 2014, the Company established a revolving trade receivables securitization facility (the A/R Facility) with PNC Bank, National Association (PNC) as the administrative agent, and various lenders. In November 2016, the Company amended the A/R Facility to extend the maturity date to November 2018. The A/R Facility provides for up to \$200 million in funding based on the availability of eligible receivables and other customary factors and conditions.

Under the A/R Facility, NCR sells and/or contributes certain of its U.S. trade receivables to a wholly-owned, bankruptcy-remote subsidiary as they are originated, and advances by the lenders to that subsidiary are secured by those trade receivables. The assets of this financing subsidiary are restricted as collateral for the payment of its obligations under the A/R Facility, and its assets and credit are not available to satisfy the debts and obligations owed to the creditors of the Company. The Company includes the assets, liabilities and results of operations of this financing subsidiary in its consolidated financial statements. The financing subsidiary owned \$426 million and \$368 million of outstanding accounts receivable as of December 31, 2016 and 2015, respectively, and these amounts are included in accounts receivable, net in the Company's Consolidated Balance Sheets.

The financing subsidiary will pay annual commitment and other customary fees to the lenders, and advances by a lender under the A/R Facility will accrue interest (i) at a reserve-adjusted LIBOR rate or a base rate equal to the highest of (a) the applicable lender's prime rate or (b) the federal funds rate plus 0.50%, if the lender is funding as a committed lender under the terms of the A/R Facility, or (ii) based on commercial paper interests rates if the lender is funding as a commercial paper conduit lender. Advances may be prepaid at any time without premium or penalty.

The A/R Facility contains various customary affirmative and negative covenants and default and termination provisions which provide for the acceleration of the advances under the A/R Facility in circumstances including, but not limited to, failure to pay interest or principal when due, breach of representation, warranty or covenant, certain insolvency events or failure to maintain the security interest in the trade receivables, and defaults under other material indebtedness.

Debt Maturities Maturities of long-term debt outstanding, in principal amounts, at December 31, 2016 are summarized below:

In millions	For the years ended December 31						Thereafter
	Total	2017	2018	2019	2020	2021	
Debt maturities	\$ 3,080	\$ 50	\$ 63	\$ 85	\$ 95	\$ 1,485	\$ 1,302

Fair Value of Debt The Company utilized Level 2 inputs, as defined in the fair value hierarchy, to measure the fair value of the long-term debt, which, as of December 31, 2016 and 2015 was \$3.16 billion and \$3.21 billion, respectively. Management's fair

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

value estimates were based on quoted prices for recent trades of NCR's long-term debt, quoted prices for similar instruments, and inquiries with certain investment communities.

7. INCOME TAXES

For the years ended December 31, income (loss) from continuing operations before income taxes consisted of the following:

In millions	2016	2015	2014
Income (loss) before income taxes			
United States	\$ 35	\$ (24)	\$ (235)
Foreign	344	(71)	372
Total income (loss) from continuing operations before income taxes	<u>\$ 379</u>	<u>\$ (95)</u>	<u>\$ 137</u>

For the years ended December 31, income tax expense (benefit) consisted of the following:

In millions	2016	2015	2014
Income tax expense (benefit)			
Current			
Federal	\$ 18	\$ (7)	\$ (4)
State	4	1	2
Foreign	60	37	79
Deferred			
Federal	12	23	(88)
State	1	(6)	(7)
Foreign	(3)	7	(30)
Total income tax expense (benefit)	<u>\$ 92</u>	<u>\$ 55</u>	<u>\$ (48)</u>

The following table presents the principal components of the difference between the effective tax rate and the U.S. federal statutory income tax rate for the years ended December 31:

In millions	2016	2015	2014
Income tax expense (benefit) at the U.S. federal tax rate of 35%	\$ 133	\$ (33)	\$ 48
Foreign income tax differential	(26)	33	(72)
U.S. permanent book/tax differences	—	(5)	(2)
Tax audit settlements	—	(10)	(15)
Change in liability for unrecognized tax benefits	(12)	(7)	—
Nondeductible transaction costs	—	(1)	1
Goodwill impairment	—	5	—
U.S. valuation allowance	—	(3)	(8)
U.S. manufacturing deduction	(7)	—	—
Settlement of UK London pension plan	—	77	—
Other, net	4	(1)	—
Total income tax expense (benefit)	<u>\$ 92</u>	<u>\$ 55</u>	<u>\$ (48)</u>

NCR's tax provisions include a provision for income taxes in certain tax jurisdictions where its subsidiaries are profitable, but reflect only a portion of the tax benefits related to certain foreign subsidiaries' tax losses due to the uncertainty of the ultimate realization of future benefits from these losses. During 2016, the tax rate was impacted by a less favorable mix of earnings, primarily driven by actuarial pension losses in foreign jurisdictions with valuation allowance against deferred tax assets. During 2015, there was no tax benefit recorded on the \$427 million charge related to the settlement of the UK London pension plan due to a valuation allowance against deferred tax assets in the United Kingdom. Refer to Note 9, "Employee Benefit Plans" for additional discussion on the settlement of the UK London pension plan. Additionally, we favorably settled examinations with Canada for tax years 2002

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

through 2006 that resulted in a tax benefit of \$10 million. During 2014, we favorably settled examinations with the IRS for the 2009 and 2010 tax years that resulted in a tax benefit of \$13 million. In addition, the 2014 tax rate was favorably impacted by a \$9 million reduction in the U.S. valuation allowance and a favorable mix of earnings by country, primarily driven by actuarial pension losses due to a change in the U.S. mortality table.

We regularly review our deferred tax assets for recoverability and establish a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The determination as to whether a deferred tax asset will be realized is made on a jurisdictional basis and is based on the evaluation of positive and negative evidence. This evidence includes historical taxable income/loss, projected future taxable income, the expected timing of the reversal of existing temporary differences and the implementation of tax planning strategies. Given current earnings and anticipated future earnings at certain subsidiaries, the Company believes that there is a reasonable possibility sufficient positive evidence may become available that would allow the release of a valuation allowance within the next twelve months.

Deferred income tax assets and liabilities included in the Consolidated Balance Sheets as of December 31 were as follows:

In millions	2016	2015
Deferred income tax assets		
Employee pensions and other benefits	\$ 301	\$ 276
Other balance sheet reserves and allowances	237	164
Tax loss and credit carryforwards	602	628
Capitalized research and development	99	97
Property, plant and equipment	8	12
Other	38	37
Total deferred income tax assets	1,285	1,214
Valuation allowance	(445)	(346)
Net deferred income tax assets	840	868
Deferred income tax liabilities		
Intangibles	239	270
Capitalized software	43	36
Other	7	6
Total deferred income tax liabilities	289	312
Total net deferred income tax assets	\$ 551	\$ 556

NCR recorded valuation allowances related to certain deferred income tax assets due to the uncertainty of the ultimate realization of the future benefits from those assets. The valuation allowances cover deferred tax assets, primarily tax loss carryforwards, in tax jurisdictions where there is uncertainty as to the ultimate realization of a benefit from those tax losses. At December 31, 2016, our net deferred tax assets in the United States totaled approximately \$451 million. For the three year period ended December 31, 2016, we had a cumulative net loss from continuing operations before income taxes, which is generally considered a negative indicator of our ability to realize the benefits of those assets. We evaluated the realizability of the U.S. deferred tax assets by weighing positive and negative evidence, including our history of taxable income in the U.S., and the substantial length of time over which our deferred tax assets relating to net operating losses and employee pensions may be realized. Through this assessment, realization of the related benefits was determined to be more likely than not. If we are unable to generate sufficient future taxable income in the time period within which the temporary differences underlying our deferred tax assets become deductible, or before the expiration of our loss and credit carryforwards, additional valuation allowance could be required.

As of December 31, 2016, NCR had U.S. federal and foreign tax attribute carryforwards of approximately \$1.3 billion. The net operating loss carryforwards that are subject to expiration will expire in the years 2017 through 2035. This includes U.S. tax credit carryforwards of \$218 million. The amount of tax deductions in excess of previously recorded windfall tax benefits associated with stock-based compensation included in U.S. federal tax credit carryforwards but not reflected in deferred tax assets for the year ended December 31, 2016 was \$39 million. Upon adoption of the updated accounting standard for stock based compensation, the Company will recognize these windfall tax benefits as an adjustment to retained earnings. Refer to Note 1, "Basis of Presentation and Significant Accounting Policies" for additional discussion on the Company's adoption of the accounting standard update. Approximately \$21 million of the credit carryforwards do not expire, and \$197 million of the credit carryforwards expire in the

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

years 2017 through 2036. As a result of recent stock ownership changes our U.S. tax attributes could be subject to limitations under Section 382 of the U.S. Internal Revenue Code of 1986, as amended, if further material stock ownership changes occur.

The aggregate changes in the balance of our gross unrecognized tax benefits were as follows for the years ended December 31:

In millions	2016	2015	2014
Gross unrecognized tax benefits - January 1	\$ 209	\$ 248	\$ 277
Increases related to tax positions from prior years	3	17	34
Decreases related to tax positions from prior years	(34)	(37)	(50)
Increases related to tax provisions taken during the current year	23	35	43
Settlements with tax authorities	(6)	(33)	(14)
Lapses of statutes of limitation	(12)	(21)	(42)
Total gross unrecognized tax benefits - December 31	<u>\$ 183</u>	<u>\$ 209</u>	<u>\$ 248</u>

Of the total amount of gross unrecognized tax benefits as of December 31, 2016, \$94 million would affect NCR's effective tax rate if realized. The Company's liability arising from uncertain tax positions is recorded in income tax accruals and other current liabilities in the Consolidated Balance Sheets.

We recognized interest and penalties associated with uncertain tax positions as part of the provision for income taxes in our Consolidated Statements of Operations of zero, \$4 million of benefit, and \$1 million of expense for the years ended December 31, 2016, 2015, and 2014, respectively. The gross amount of interest and penalties accrued as of December 31, 2016 and 2015 was \$41 million and \$46 million, respectively.

In the U.S., NCR files consolidated federal and state income tax returns where statutes of limitations generally range from three to five years. The Company resolved examinations for the tax years of 2009 and 2010 with the IRS in 2014, and U.S. federal tax years remain open from 2011 forward. In 2014, the IRS commenced an examination of our 2011, 2012, and 2013 income tax returns, which is ongoing. Years beginning on or after 2001 are still open to examination by certain foreign taxing authorities, including India, Korea, and other major taxing jurisdictions.

During 2017, the Company expects to resolve certain tax matters related to U.S. and foreign jurisdictions. As of December 31, 2016, we estimate that it is reasonably possible that unrecognized tax benefits may decrease by \$35 million to \$40 million in the next 12 months due to the resolution of these tax matters.

NCR did not provide for U.S. federal income taxes or foreign withholding taxes in 2016 on approximately \$2.3 billion of undistributed earnings of its foreign subsidiaries as such earnings are intended to be reinvested indefinitely unless it is determined future repatriation would give rise to little or no net tax costs. Due to the complexities in the tax laws, the assumptions that we would have to make and the availability and calculation of associated foreign tax credits, it is not practicable to determine the amount of the related unrecognized deferred income tax liability associated with these undistributed earnings.

8. STOCK COMPENSATION PLANS

The Company recognizes all share-based payments as compensation expense in its financial statements based on their fair value.

As of December 31, 2016, the Company's stock-based compensation consisted of restricted stock units and an insignificant amount of stock options. The Company recorded stock-based compensation expense for the years ended December 31 as follows:

In millions	2016	2015	2014
Total stock-based compensation related to restricted stock units (pre-tax)	61	42	31
Tax benefit	(18)	(13)	(10)
Total stock-based compensation (net of tax)	<u>\$43</u>	<u>\$29</u>	<u>\$21</u>

Approximately 14 million shares remain authorized to be issued under the 2013 Stock Incentive Plan (SIP). Details of the Company's stock-based compensation plans are discussed below.

Restricted Stock Units

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

The SIP provides for the grant of several different forms of stock-based compensation, including restricted stock units. Restricted stock units can have service-based and/or performance-based vesting with performance goals being established by the Compensation and Human Resource Committee of the Company's Board of Directors. Any grant of restricted stock units is generally subject to a vesting period of 12 months to 48 months, to the extent permitted by the SIP. Performance-based grants conditionally vest upon achievement of future performance goals based on performance criteria such as the Company's achievement of specific return on capital and/or other financial metrics (as defined in the SIP) during the performance period. Performance-based grants must be earned, based on performance, before the actual number of shares to be awarded is known. The Compensation and Human Resource Committee considers the likelihood of meeting the performance criteria based upon estimates and other relevant data, and certifies performance based on its analysis of achievement against the performance criteria. A recipient of restricted stock units does not have the rights of a stockholder and is subject to restrictions on transferability and risk of forfeiture. Other terms and conditions applicable to any award of restricted stock units will be determined by the Compensation and Human Resource Committee and set forth in the agreement relating to that award.

The following table reports restricted stock unit activity during the year ended December 31, 2016:

Shares in thousands	Number of Units	Weighted Average Grant-Date Fair Value per Unit
Unvested shares as of January 1	4,955	\$ 30.08
Shares granted	4,812	\$ 20.45
Shares vested	(1,559)	\$ 27.93
Shares forfeited	(739)	\$ 25.89
Unvested shares as of December 31	7,469	\$ 24.70

Stock-based compensation expense is recognized in the financial statements based upon fair value. The total fair value of units vested and distributed in the form of NCR common stock was \$42 million in 2016, \$44 million in 2015, and \$66 million in 2014. As of December 31, 2016, there was \$125 million of unrecognized compensation cost related to unvested restricted stock unit grants. The unrecognized compensation cost is expected to be recognized over a remaining weighted-average period of 1.2 years. The weighted average grant date fair value for restricted stock unit awards granted in 2015 and 2014 was \$29.40 and \$31.85, respectively.

The following table represents the composition of restricted stock unit grants in 2016:

Shares in thousands	Number of Units	Weighted Average Grant-Date Fair Value
Service-based units	1,667	\$ 25.02
Performance-based units	\$ 1,186	\$ 23.16
Price contingent-based units	1,959	\$ 14.93
Total restricted stock units	4,812	\$ 20.45

The 2016 performance-based restricted stock unit activity above includes 1.5 million units related to the 2016 to 2017 performance period, and is adjusted by the cancellation of performance-based restricted stock units from a prior period where the target performance goals were not achieved.

During the first quarter of 2016, the Compensation and Human Resource Committee approved a special multi-year equity grant to a limited group of senior executives of the Company. These awards were performance based price-contingent restricted stock units with a performance period of 60 months. Vesting of these units is dependent upon the achievement of target stock prices established by the Compensation and Human Resource Committee and service conditions. The Company estimated the fair value and derived service period using the Monte Carlo simulation option-pricing model. The Company amortizes the fair value of these awards over the explicit service period of 36 to 48 months, which was longer than the derived service period, adjusted for estimated forfeitures. Provided that the explicit service period is rendered, the total fair value of the price-contingent restricted stock units at the date of grant is recognized as compensation expense even if the market condition is not achieved. However, the number of units that ultimately vest can vary significantly with the performance of the specified market criteria.

The weighted-average assumptions used and the resulting estimates of fair value were as follows:

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

	Twelve months ended December 31, 2016
Expected volatility	33.9%
Expected dividend yield	—
Risk-free rate	1.21%
Weighted average fair value per share	\$14.93

Expected volatility is based on the historical volatility derived from NCR stock price movements over the last 60 months. The risk-free interest rate was based upon the U.S. Treasury yield curve in effect at the time of grant with a remaining term of 60 months.

Stock Options

The SIP also provides for the grant of stock options to purchase shares of NCR common stock. The Compensation and Human Resource Committee has discretion to determine the material terms and conditions of option awards under the SIP, provided that (i) the exercise price must be no less than the fair market value of NCR common stock (defined as the closing price) on the date of grant, (ii) the term must be no longer than ten years, and (iii) in no event shall the normal vesting schedule provide for vesting in less than one year. Other terms and conditions of an award of stock options will be determined by the Compensation and Human Resource Committee as set forth in the agreement relating to that award. The Compensation and Human Resource Committee has authority to administer the SIP, except that the Committee on Directors and Governance of the Company's Board of Directors will administer the SIP with respect to non-employee members of the Board of Directors. New shares of the Company's common stock are issued as a result of stock option exercises.

Stock-based compensation expense for options was computed using the Black-Scholes option-pricing model. During the years ended December 31, 2016, 2015 and 2014, the Company did not grant a significant amount of stock options.

The following table summarizes the Company's stock option activity for the year ended December 31, 2016:

Shares in thousands	Shares Under Option	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding as of January 1	1,004	\$ 18.14		
Granted	49	\$ 21.54		
Exercised	(423)	\$ 19.17		
Forfeited or expired	(1)	\$ 26.46		
Outstanding as of December 31	629	\$ 17.69	3.13	\$ 14.4
Fully vested and expected to vest as of December 31	629	\$ 17.69	3.13	\$ 14.4
Exercisable as of December 31	579	\$ 17.36	2.62	\$ 13.4

The total intrinsic value of all options exercised was \$6 million in 2016, \$6 million in 2015, and \$8 million in 2014. Cash received from option exercises under all share-based payment arrangements was \$8 million in 2016, \$8 million in 2015, and \$7 million in 2014. The tax benefit realized from these exercises was \$2 million in 2016, \$2 million in 2015, and \$2 million in 2014.

Other Share-based Plans

The Employee Stock Purchase Plan (ESPP) enables eligible employees to purchase NCR's common stock at a discount to the average of the highest and lowest sale prices on the last trading day of each month. The ESPP discount for all years presented was 5% of the average market price. Accordingly, this plan is considered non-compensatory. Employees may authorize payroll deductions of up to 10% of eligible compensation for common stock purchases. Employees purchased approximately 0.3 million shares in 2016, 0.3 million shares in 2015, and 0.2 million shares in 2014, for approximately \$7 million in 2016, \$7 million in 2015 and \$6 million in 2014. A total of 4 million shares were originally authorized to be issued under the ESPP and approximately 0.9 million authorized shares remain unissued as of December 31, 2016.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

9. EMPLOYEE BENEFIT PLANS

Pension, Postretirement and Postemployment Plans NCR sponsors defined benefit pension plans. NCR's U.S. pension plan no longer offers additional benefits and is closed to new participants. Internationally, the defined benefit plans are based primarily upon compensation and years of service. Certain international plans also no longer offer additional benefits and are closed to new participants. NCR's funding policy is to contribute annually not less than the minimum required by applicable laws and regulations. Assets of NCR's defined benefit plans are primarily invested in corporate and government debt securities, common and commingled trusts, publicly traded common stocks, real estate investments, and cash or cash equivalents.

NCR recognizes the funded status of each applicable plan on the Consolidated Balance Sheets. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. For pension plans, changes in the fair value of plan assets and net actuarial gains or losses are recognized upon remeasurement, which is at least annually in the fourth quarter of each year. For postretirement and postemployment plans, changes to the funded status are recognized as a component of other comprehensive loss in stockholders' equity.

NCR sponsors a U.S. postretirement benefit plan that no longer offers benefits to U.S. participants who had not reached a certain age and years of service with NCR. The plan provides medical care benefits to retirees and their eligible dependents. Non-U.S. employees are typically covered under government-sponsored programs, and NCR generally does not provide postretirement benefits other than pensions to non-U.S. retirees. NCR generally funds these benefits on a pay-as-you-go basis.

NCR offers various postemployment benefits to involuntarily terminated and certain inactive employees after employment but before retirement. These benefits are paid in accordance with NCR's established postemployment benefit practices and policies. Postemployment benefits include mainly severance as well as continuation of healthcare benefits and life insurance coverage while on disability. NCR provides appropriate accruals for these postemployment benefits. These postemployment benefits are funded on a pay-as-you-go basis.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Pension Plans Reconciliation of the beginning and ending balances of the benefit obligations for NCR's pension plans are as follows:

In millions	U.S. Pension Benefits		International Pension Benefits		Total Pension Benefits	
	2016	2015	2016	2015	2016	2015
Change in benefit obligation						
Benefit obligation as of January 1	\$ 2,155	\$ 2,271	\$ 1,159	\$ 2,106	\$ 3,314	\$ 4,377
Net service cost	—	—	7	12	7	12
Interest cost	90	87	28	42	118	129
Amendment	—	—	—	3	—	3
Actuarial loss (gain)	53	(93)	174	(17)	227	(110)
Benefits paid	(113)	(110)	(75)	(1,364)	(188)	(1,474)
Plan participant contributions	—	—	1	2	1	2
Curtailment	—	—	—	(2)	—	(2)
Settlement	—	—	—	425	—	425
Currency translation adjustments	—	—	(122)	(48)	(122)	(48)
Benefit obligation as of December 31	<u>\$ 2,185</u>	<u>\$ 2,155</u>	<u>\$ 1,172</u>	<u>\$ 1,159</u>	<u>\$ 3,357</u>	<u>\$ 3,314</u>
Accumulated benefit obligation as of December 31	<u>\$ 2,185</u>	<u>\$ 2,155</u>	<u>\$ 1,162</u>	<u>\$ 1,148</u>	<u>\$ 3,347</u>	<u>\$ 3,303</u>

A reconciliation of the beginning and ending balances of the fair value of the plan assets of NCR's pension plans are as follows:

In millions	U.S. Pension Benefits		International Pension Benefits		Total Pension Benefits	
	2016	2015	2016	2015	2016	2015
Change in plan assets						
Fair value of plan assets as of January 1	\$ 1,726	\$ 1,884	\$ 1,009	\$ 2,325	\$ 2,735	\$ 4,209
Actual return on plan assets	109	(48)	136	38	245	(10)
Company contributions	—	—	31	33	31	33
Benefits paid	(113)	(110)	(75)	(1,364)	(188)	(1,474)
Currency translation adjustments	—	—	(124)	(25)	(124)	(25)
Plan participant contributions	—	—	1	2	1	2
Fair value of plan assets as of December 31	<u>\$ 1,722</u>	<u>\$ 1,726</u>	<u>\$ 978</u>	<u>\$ 1,009</u>	<u>\$ 2,700</u>	<u>\$ 2,735</u>

In November 2013, the trustees of the NCR Pension Plan (UK London) entered into an agreement with Pension Insurance Corporation (PIC) to purchase, as a plan asset, an insurance policy with PIC to facilitate the wind-up and buy-out of the pension plan. NCR Limited, a UK subsidiary of the Company, was the principal employer of the pension plan which had approximately 5,400 participants. During the second quarter of 2015, the Company completed the transfer of the UK London pension plan to PIC by issuing individual insurance policies. As a result of the transfer, for the the year ended December 31, 2015, the Company recorded a settlement loss of \$427 million in the Consolidated Statement of Operations as well as an offsetting decrease to prepaid pension costs in the Consolidated Balance Sheet.

During 2014, the Company offered a voluntary lump sum payment option to certain former employees who were participants of the Company's U.S. pension plan who had started monthly payments of their pension benefit. The voluntary lump sum payment offer was completed during the fourth quarter of 2014. In addition, during 2014, the Company entered into an agreement with an insurer, where the Company's U.S. qualified plan purchased a single premium group annuity contract from the insurer in order to secure benefits for approximately 4,500 former employees or their related beneficiaries who commenced monthly pension benefits under the plan before January 1, 1994. Additionally, during 2014, the Company transferred the pension plan obligations in Spain and the Netherlands to a third party through the completion of a buy-out of the pension plans.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

The following table presents the funded status and the reconciliation of the funded status to amounts recognized in the Consolidated Balance Sheets and in accumulated other comprehensive loss as of December 31:

In millions	U.S. Pension Benefits		International Pension Benefits		Total Pension Benefits	
	2016	2015	2016	2015	2016	2015
Funded Status	\$ (463)	\$ (429)	\$ (194)	\$ (150)	\$ (657)	\$ (579)
Amounts recognized in the Consolidated Balance Sheets						
Noncurrent assets	\$ —	\$ —	\$ 94	\$ 130	\$ 94	\$ 130
Current liabilities	—	—	(12)	(13)	(12)	(13)
Noncurrent liabilities	(463)	(429)	(276)	(267)	(739)	(696)
Net amounts recognized	\$ (463)	\$ (429)	\$ (194)	\$ (150)	\$ (657)	\$ (579)
Amounts recognized in accumulated other comprehensive loss						
Prior service cost	—	—	15	19	15	19
Total	\$ —	\$ —	\$ 15	\$ 19	\$ 15	\$ 19

For pension plans with accumulated benefit obligations in excess of plan assets, the projected benefit obligation, accumulated benefit obligation and fair value of assets were \$2,711 million, \$2,702 million, and \$1,991 million, respectively, as of December 31, 2016, and \$2,692 million, \$2,682 million and \$2,013 million, respectively, as of December 31, 2015.

The net periodic benefit (income) cost of the pension plans for the years ended December 31 was as follows:

In millions	U.S. Pension Benefits			International Pension Benefits			Total Pension Benefits		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Net service cost	\$ —	\$ —	\$ —	\$ 7	\$ 12	\$ 12	\$ 7	\$ 12	\$ 12
Interest cost	90	87	130	28	42	81	118	129	211
Expected return on plan assets	(72)	(72)	(118)	(36)	(60)	(104)	(108)	(132)	(222)
Amortization of prior service cost	—	—	—	1	1	2	1	1	2
Curtailement	—	—	—	—	(2)	—	—	(2)	—
Settlement	—	—	—	—	427	(1)	—	427	(1)
Actuarial (gain) loss	16	27	146	69	2	4	85	29	150
Net periodic benefit (income) cost	\$ 34	\$ 42	\$ 158	\$ 69	\$ 422	\$ (6)	\$ 103	\$ 464	\$ 152

Effective January 1, 2017, we changed the method used to estimate the service and interest components of net periodic benefit cost for our significant pension plans where yield curves are available. Previously, we estimated such cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the pension benefit obligation. The new methodology utilizes a full yield curve approach by applying the specific spot rates along the yield curve used in the determination of the pension benefit obligation to their underlying projected cash flows and provides a more precise measurement of service and interest costs by improving the correlation between projected cash flows and their corresponding spot rates. This change does not affect the measurement of our total benefit obligation and is applied prospectively as a change in estimate, beginning January 1, 2017.

During 2015, the Company transferred the UK London pension plan obligations to PIC through the completion of a buy-out of the pension plan, resulting in a settlement of \$427 million in 2015.

During 2014, the Company transferred the pension plan obligations in Spain and the Netherlands to a third party through the completion of a buy-out of the pension plans, resulting in an actuarial loss in 2014.

The weighted average rates and assumptions used to determine benefit obligations as of December 31 were as follows:

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

	U.S. Pension Benefits		International Pension Benefits		Total Pension Benefits	
	2016	2015	2016	2015	2016	2015
Discount rate	4.1%	4.3%	1.9%	2.6%	3.3%	3.7%
Rate of compensation increase	N/A	N/A	0.9%	1.3%	0.9%	1.3%

The weighted average rates and assumptions used to determine net periodic benefit cost for the years ended December 31 were as follows:

	U.S. Pension Benefits			International Pension Benefits			Total Pension Benefits		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Discount rate	4.3%	4.0%	4.6%	2.6%	2.9%	3.8%	3.7%	3.5%	4.3%
Expected return on plan assets	4.3%	4.0%	4.6%	3.8%	3.8%	4.5%	4.1%	3.9%	4.5%
Rate of compensation increase	N/A	N/A	N/A	1.3%	1.8%	2.7%	1.3%	1.8%	2.7%

The discount rate used to determine December 31, 2016 U.S. benefit obligations was derived by matching the plans' expected future cash flows to the corresponding yields from the Aon Hewitt AA Bond Universe Curve. This yield curve has been constructed to represent the available yields on high-quality, fixed-income investments across a broad range of future maturities. International discount rates were determined by examining interest rate levels and trends within each country, particularly yields on high-quality, long-term corporate bonds, relative to our future expected cash flows. During 2014, the Society of Actuaries published updated mortality tables and an improvement scale for U.S. plans, which both reflect improved longevity. Based on evaluation of these new tables, we updated our mortality assumptions for our U.S. pension benefits as of December 31, 2014.

NCR employs a building block approach as its primary approach in determining the long-term expected rate of return assumptions for plan assets. Historical market returns are studied and long-term relationships between equities and fixed income are preserved consistent with the widely accepted capital market principle that assets with higher volatilities generate higher returns over the long run. Current market factors, such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. The expected long-term portfolio return is established for each plan via a building block approach with proper rebalancing consideration. The result is then adjusted to reflect additional expected return from active management net of plan expenses. Historical plan returns, the expectations of other capital market participants, and peer data may be used to review and assess the results for reasonableness and appropriateness.

Plan Assets The weighted average asset allocations as of December 31, 2016 and 2015 by asset category are as follows:

	U.S. Pension Fund			International Pension Fund		
	Actual Allocation of Plan Assets as of December 31		Target Asset Allocation	Actual Allocation of Plan Assets as of December 31		Target Asset Allocation
	2016	2015		2016	2015	
Equity securities	—%	—%	0 - 0%	23%	24%	16 - 26%
Debt securities	96%	96%	95 - 100%	52%	50%	50 - 60%
Real estate	1%	1%	0 - 2%	13%	13%	8- 14%
Other	3%	3%	0 - 3%	12%	13%	11 - 17%
Total	100%	100%		100%	100%	

The Company has adopted updated accounting guidance on fair value measurement which removed both the requirement to categorize within the fair value hierarchy and the requirement to provide related sensitivity disclosures for all investments for which fair value is measured using net asset value (NAV) as a practical expedient. The amount of these investments is disclosed separately in the following tables as "Not Subject to Leveling". The updated guidance was adopted on a retrospective basis, therefore, the investment amounts for which fair value is measured using NAV as a practical expedient have been removed from the fair value hierarchy for all periods presented.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

The fair value of plan assets as of December 31, 2016 and 2015 by asset category is as follows:

In millions	Notes	U.S.					International				
		Fair Value as of December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Subject to Leveling	Fair Value as of December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Subject to Leveling
Assets											
<i>Equity securities:</i>											
Common stock	1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 47	\$ 47	\$ —	\$ —	\$ —
<i>Fixed income securities:</i>											
Government securities	2	234	—	234	—	—	27	—	27	—	—
Corporate debt	3	797	—	797	—	—	110	—	108	2	—
<i>Other types of investments:</i>											
Money market funds	4	28	—	—	—	28	8	—	8	—	—
Common and commingled trusts - Equities	4	—	—	—	—	—	169	—	—	—	169
Common and commingled trusts - Bonds	4	530	—	—	—	530	363	—	—	—	363
Common and commingled trusts - Short Term Investments	4	23	—	—	—	23	27	—	—	—	27
Common and commingled trusts - Balanced	4	—	—	—	—	—	104	—	—	—	104
Partnership/joint venture interests - Real estate	5	8	—	—	—	8	—	—	—	—	—
Partnership/joint venture interests - Other	5	6	—	—	—	6	—	—	—	—	—
Mutual funds	4	60	60	—	—	—	—	—	—	—	—
Hedge Funds	5	36	—	—	—	36	—	—	—	—	—
Insurance products	4	—	—	—	—	—	1	—	1	—	—
Real estate and other	5	—	—	—	—	—	122	—	—	122	—
Total		\$ 1,722	\$ 60	\$ 1,031	\$ —	\$ 631	\$ 978	\$ 47	\$ 144	\$ 124	\$ 663

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

In millions	Notes	U.S.					International				
		Fair Value as of December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Subject to Leveling	Fair Value as of December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Subject to Leveling
Assets											
<i>Equity securities:</i>											
Common stock	1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 50	\$ 50	\$ —	\$ —	\$ —
<i>Fixed income securities:</i>											
Government securities	2	222	—	222	—	—	13	—	13	—	—
Corporate debt	3	805	—	805	—	—	145	—	141	4	—
<i>Other types of investments:</i>											
Money market funds	4	33	—	—	—	33	13	—	12	—	1
Common and commingled trusts - Equities	4	—	—	—	—	—	184	—	—	—	184
Common and commingled trusts - Bonds	4	500	—	—	—	500	327	—	—	—	327
Common and commingled trusts - Short Term Investments	4	30	—	—	—	30	31	—	—	—	31
Common and commingled trusts - Balanced	4	—	—	—	—	—	116	—	—	—	116
Partnership/joint venture interests - Real estate	5	21	—	—	—	21	—	—	—	—	—
Partnership/joint venture interests - Other	5	7	—	—	—	7	—	—	—	—	—
Mutual funds	4	74	74	—	—	—	—	—	—	—	—
Hedge Funds	5	34	—	—	—	34	—	—	—	—	—
Insurance products	4	—	—	—	—	—	1	—	1	—	—
Real estate and other	5	—	—	—	—	—	129	—	—	129	—
Total		\$ 1,726	\$ 74	\$ 1,027	\$ —	\$ 625	\$ 1,009	\$ 50	\$ 167	\$ 133	\$ 659

Notes:

1. Common stocks are valued based on quoted market prices at the closing price as reported on the active market on which the individual securities are traded.
2. Government securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar securities, the security is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields on similar instruments but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.
3. Corporate debt is valued primarily based on observable market quotations for similar bonds at the closing price reported on the active market on which the individual securities are traded. When such quoted prices are not available, the bonds are valued using a discounted cash flows approach using current yields on similar instruments of issuers with similar credit ratings.
4. Common/collective trusts and registered investment companies (RICs) such as mutual funds are valued using a Net Asset Value (NAV) provided by the manager of each fund. The NAV is based on the underlying net assets owned by the fund, divided by the number of shares or units outstanding. The fair value of the underlying securities within the fund, which are generally traded on an active market, are valued at the closing price reported on the active market on which those individual securities are traded. For investments not traded on an active market, or for which a quoted price is not publicly available, a variety of unobservable valuation methodologies, including discounted cash flow, market multiple and cost valuation approaches, are employed by the fund manager or independent third party to value investments.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

5. Partnership/joint ventures and hedge funds are valued based on the fair value of the underlying securities within the fund, which include investments both traded on an active market and not traded on an active market. For those investments that are traded on an active market, the values are based on the closing price reported on the active market on which those individual securities are traded and in the case of hedge funds they are valued using a Net Asset Value (NAV) provided by the manager of each fund. For investments not traded on an active market, or for which a quoted price is not publicly available, a variety of unobservable valuation methodologies, including discounted cash flow, market multiples and cost valuation approaches, are employed by the fund manager to value investments.

The following table presents the reconciliation of the beginning and ending balances of those plan assets classified within Level 3 of the valuation hierarchy. When the determination is made to classify the plan assets within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement.

In millions	International Pension Plans
Balance, December 31, 2014	\$ 1,388
Realized and unrealized gains and losses, net	(58)
Purchases, sales and settlements, net	(1,196)
Transfers, net	(1)
Balance, December 31, 2015	\$ 133
Realized and unrealized gains and losses, net	(8)
Purchases, sales and settlements, net	1
Transfers, net	(2)
Balance, December 31, 2016	\$ 124

Investment Strategy NCR has historically employed a total return investment approach, whereby a mix of fixed-income, equities and real estate investments are used to maximize the long-term return of plan assets subject to a prudent level of risk. The risk tolerance is established for each plan through a careful consideration of plan liabilities, plan funded status and corporate financial condition. To reduce volatility in the value of assets held by the U.S. pension plan, we have rebalanced the asset allocation to a portfolio of 96% of fixed income assets as of December 31, 2016. Similar investment strategy changes are under consideration or being implemented in a number of NCR's international plans.

The investment portfolios contain primarily fixed-income investments, which are diversified across U.S. and non-U.S. issuers, type of fixed-income security (i.e., government bonds, corporate bonds, mortgage-backed securities) and credit quality. The investment portfolios also contain a blend of equity investments, which are diversified across U.S. and non-U.S. stocks, small and large capitalization stocks, and growth and value stocks, primarily of non-U.S. issuers. Where applicable, real estate investments are made through real estate securities, partnership interests or direct investment and are diversified by property type and location. Other assets, such as cash or private equity are used judiciously to improve portfolio diversification and enhance risk-adjusted portfolio returns. Derivatives may be used to adjust market exposures in an efficient and timely manner. Due to the timing of security purchases and sales, cash held by fund managers is classified in the same asset category as the related investment. Rebalancing algorithms are applied to keep the asset mix of the plans from deviating excessively from their targets. Investment risk is measured and monitored on an ongoing basis through regular performance reporting, investment manager reviews, actuarial liability measurements and periodic investment strategy reviews.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Postretirement Plans Reconciliation of the beginning and ending balances of the benefit obligation for NCR's U.S. postretirement plan is as follows:

In millions	Postretirement Benefits	
	2016	2015
Change in benefit obligation		
Benefit obligation as of January 1	\$ 27	\$ 26
Gross service cost	—	—
Interest cost	1	1
Actuarial (gain) loss	(2)	2
Plan participant contributions	1	1
Benefits paid	(2)	(3)
Benefit obligation as of December 31	<u>\$ 25</u>	<u>\$ 27</u>

The following table presents the funded status and the reconciliation of the funded status to amounts recognized in the Consolidated Balance Sheets and in accumulated other comprehensive loss as of December 31:

In millions	Postretirement Benefits	
	2016	2015
Benefit obligation	<u>\$ (25)</u>	<u>\$ (27)</u>
Amounts recognized in the Consolidated Balance Sheets		
Current liabilities	\$ (3)	\$ (4)
Noncurrent liabilities	(22)	(23)
Net amounts recognized	<u>\$ (25)</u>	<u>\$ (27)</u>
Amounts recognized in accumulated other comprehensive loss		
Net actuarial loss	\$ 16	\$ 20
Prior service benefit	(19)	(33)
Total	<u>\$ (3)</u>	<u>\$ (13)</u>

The net periodic benefit income of the postretirement plan for the years ended December 31 was:

In millions	Postretirement Benefits		
	2016	2015	2014
Interest cost	\$ 1	\$ 1	\$ 1
Net service cost	—	—	—
Amortization of:			
Prior service benefit	(14)	(18)	(18)
Actuarial loss	2	2	2
Net periodic benefit income	<u>\$ (11)</u>	<u>\$ (15)</u>	<u>\$ (15)</u>

The assumptions utilized in accounting for postretirement benefit obligations as of December 31 and for postretirement benefit income for the years ended December 31 were:

	Postretirement Benefit Obligations			Postretirement Benefit Costs		
	2016	2015	2014	2016	2015	2014
Discount rate	3.2%	3.3%	3.1%	3.3%	3.1%	3.4%

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Assumed healthcare cost trend rates as of December 31 were:

	2016		2015	
	Pre-65 Coverage	Post-65 Coverage	Pre-65 Coverage	Post-65 Coverage
Healthcare cost trend rate assumed for next year	6.6%	5.8%	6.8%	5.9%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%	5.0%	5.0%
Year that the rate reaches the ultimate rate	2024	2024	2024	2024

In addition, a one percentage point change in assumed healthcare cost trend rates would have had an immaterial impact on the postretirement benefit income and obligation.

Postemployment Benefits Reconciliation of the beginning and ending balances of the benefit obligation for NCR's postemployment plan was:

In millions	Postemployment Benefits	
	2016	2015
Change in benefit obligation		
Benefit obligation as of January 1	\$ 143	\$ 227
Restructuring program cost	4	1
Service cost	16	17
Interest cost	3	3
Amendments	—	(12)
Benefits paid	(37)	(47)
Foreign currency exchange	(6)	(12)
Actuarial loss (gain)	4	(34)
Benefit obligation as of December 31	\$ 127	\$ 143

The following tables present the funded status and the reconciliation of the unfunded status to amounts recognized in the Consolidated Balance Sheets and in accumulated other comprehensive loss at December 31:

In millions	Postemployment Benefits	
	2016	2015
Benefit obligation	\$ (127)	\$ (143)
Amounts recognized in the Consolidated Balance Sheets		
Current liabilities	\$ (22)	\$ (33)
Noncurrent liabilities	(105)	(110)
Net amounts recognized	\$ (127)	\$ (143)
Amounts recognized in accumulated other comprehensive loss		
Net actuarial gain	\$ (42)	\$ (47)
Prior service benefit	(17)	(23)
Total	\$ (59)	\$ (70)

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

The net periodic benefit cost of the postemployment plan for the years ended December 31 was:

In millions	Postemployment Benefits		
	2016	2015	2014
Service cost	\$ 16	\$ 17	\$ 17
Interest cost	3	3	5
Amortization of:			
Prior service benefit	(6)	(4)	(4)
Actuarial (gain) loss	(7)	—	(2)
Net benefit cost	\$ 6	\$ 16	\$ 16
Restructuring severance cost	4	1	73
Net periodic benefit cost	<u>\$ 10</u>	<u>\$ 17</u>	<u>\$ 89</u>

During the years ended December 31, 2016, 2015 and 2014, restructuring charges for employee severance of \$4 million, \$1 million and \$73 million, respectively, were recognized associated with the restructuring plan. See Note 3, "Restructuring Plan" for additional information.

The weighted average assumptions utilized in accounting for postemployment benefit obligations as of December 31 and for postemployment benefit costs for the years ended December 31 were:

	Postemployment Benefit Obligations		Postemployment Benefit Costs		
	2016	2015	2016	2015	2014
Discount rate	2.0%	2.2%	2.2%	2.1%	3.2%
Salary increase rate	1.8%	2.1%	2.1%	2.0%	2.8%
Involuntary turnover rate	4.8%	4.8%	4.8%	4.8%	4.8%

Cash Flows Related to Employee Benefit Plans

Cash Contributions NCR does not plan to contribute to the U.S. qualified pension plan in 2017, and plans to contribute approximately \$30 million to the international pension plans in 2017. The Company also plans to make contributions of \$3 million to the U.S. postretirement plan and \$55 million to the postemployment plan in 2017.

Estimated Future Benefit Payments NCR expects to make the following benefit payments reflecting past and future service from its pension, postretirement and postemployment plans:

In millions	U.S. Pension Benefits		International Pension Benefits		Total Pension Benefits		Postretirement Benefits		Postemployment Benefits	
Year										
2017	\$	124	\$	49	\$	173	\$	3	\$	55
2018	\$	127	\$	49	\$	176	\$	3	\$	20
2019	\$	130	\$	49	\$	179	\$	2	\$	19
2020	\$	132	\$	48	\$	180	\$	2	\$	17
2021	\$	135	\$	47	\$	182	\$	2	\$	16
2022-2026	\$	690	\$	243	\$	933	\$	6	\$	65

Savings Plans U.S. employees and many international employees participate in defined contribution savings plans. These plans generally provide either a specified percent of pay or a matching contribution on participating employees' voluntary elections. NCR's matching contributions typically are subject to a maximum percentage or level of compensation. Employee contributions can be made pre-tax, after-tax or a combination thereof. The expense under the U.S. plan was approximately \$24 million in 2016, \$23 million in 2015, and \$20 million in 2014. The expense under international and subsidiary savings plans was \$26 million in 2016, \$22 million in 2015, and \$24 million in 2014.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Amounts to be Recognized The amounts in accumulated other comprehensive loss that are expected to be recognized as components of net periodic benefit cost (income) during 2017 are as follows:

In millions	U.S. Pension Benefits		International Pension Benefits		Total Pension Benefits		Postretirement Benefits		Postemployment Benefits	
Prior service cost (benefit)	\$	—	\$	1	\$	1	\$	(6)	\$	(5)
Actuarial loss (gain)	\$	—	\$	—	\$	—	\$	2	\$	(4)

10. COMMITMENTS AND CONTINGENCIES

In the normal course of business, NCR is subject to various proceedings, lawsuits, claims and other matters, including, for example, those that relate to the environment and health and safety, labor and employment, employee benefits, import/export compliance, intellectual property, data privacy and security, product liability, commercial disputes and regulatory compliance, among others. Additionally, NCR is subject to diverse and complex laws and regulations, including those relating to corporate governance, public disclosure and reporting, environmental safety and the discharge of materials into the environment, product safety, import and export compliance, data privacy and security, antitrust and competition, government contracting, anti-corruption, and labor and human resources, which are rapidly changing and subject to many possible changes in the future. Compliance with these laws and regulations, including changes in accounting standards, taxation requirements, and federal securities laws among others, may create a substantial burden on, and substantially increase costs to NCR or could have an impact on NCR's future operating results. The Company has reflected all liabilities when a loss is considered probable and reasonably estimable in the Consolidated Financial Statements. We do not believe there is a reasonable possibility that losses exceeding amounts already recognized have been incurred, but there can be no assurances that the amounts required to satisfy alleged liabilities from such matters will not impact future operating results. Other than as stated below, the Company does not currently expect to incur material capital expenditures related to such matters. However, there can be no assurances that the actual amounts required to satisfy alleged liabilities from various lawsuits, claims, legal proceedings and other matters, including, but not limited to the Fox River and Kalamazoo River environmental matters and other matters discussed below, and to comply with applicable laws and regulations, will not exceed the amounts reflected in NCR's Consolidated Financial Statements or will not have a material adverse effect on its consolidated results of operations, capital expenditures, competitive position, financial condition or cash flows.

In 2012, NCR received anonymous allegations from a purported whistleblower regarding certain aspects of the Company's business practices in China, the Middle East and Africa. The principal allegations received in 2012 related to the Company's compliance with the Foreign Corrupt Practices Act (FCPA) and federal regulations that prohibit U.S. persons from engaging in certain activities in Syria. As previously reported, the Company and its Board of Directors completed investigations with the assistance of experienced outside counsel and resolved a related shareholder derivative action.

With respect to the FCPA, the Company made a presentation to the staff of the Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ) providing the facts known to the Company related to the whistleblower's FCPA allegations, and advising the government that many of these allegations were unsubstantiated. With respect to the DOJ, the Company responded to its most recent requests for documents in 2014. On June 22, 2015, the SEC staff notified the Company that it did not intend to recommend an enforcement action against the Company with respect to these matters.

With respect to Syria, in 2012 NCR voluntarily notified the U.S. Treasury Department Office of Foreign Assets Control (OFAC) of potential violations and ceased operations in Syria, which were commercially insignificant. The notification related to confusion stemming from the Company's failure to register in Syria the transfer of the Company's Syrian branch to a foreign subsidiary and to deregister the Company's legacy Syrian branch, which was a branch of NCR Corporation. The Company applied for and received from OFAC various licenses that permitted the Company to take measures required to wind down its past operations in Syria. The last such license expired in April 2016, and in connection with that expiration the Company abandoned its remaining property in Syria, which was commercially insignificant, and ended the employment of its final two employees there, who had remained employed by the Company to assist with the execution of the Company's wind-down activities pursuant to authority granted by the OFAC licenses. The Company also submitted detailed reports to OFAC regarding this matter, including a description of the Company's comprehensive export control program and related remedial measures, and a description of the abandonment and related circumstances. The Company continues to cooperate with the authorities. There can be no assurance that the Company will not be subject to fines or other remedial measures as a result of OFAC's investigation.

In 2013 the Company, through its travel business, entered into a subcontract with a prime contractor with respect to certain information technology components of two airport construction projects in Oman. In 2015 the prime contractor's contract with an Omani public agency was terminated for cause; the Company and the prime contractor (a joint venture) subsequently provided

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

to each other notices of termination of the subcontract. The prime contractor subsequently filed liquidation proceedings in Oman. The Company had delivered and installed goods and services in the approximate amount of \$40 million as of 2015 when the various contracts were terminated, approximately half of which sum remains due and owing; under the terms of the subcontract, most of the payment obligations by the Omani public agency to the terminated prime contractor, and from the terminated prime contractor to the Company, had not at that time matured. The Company remains engaged in the construction projects, having been urged by the Omani public agency to enter into a new subcontract with a new prime contractor, which the Company did later in 2015. In 2016 the Company entered into a partial settlement agreement with the Omani public agency under which it was paid approximately half of the sums owed to it, in exchange for certain deliverables under the original subcontract. The Company has identified various avenues to pursue, against the prime contractor and others, including the parent of one of the joint venture partners in the terminated prime contractor, to obtain recoveries of the remaining amounts owed to it. Based on the status of negotiations and proceedings as of December 31, 2016, the Company continues to maintain a reserve of approximately \$20 million with respect to those portions of its claim that it considered did not meet the Company's standard for probable recovery.

In June 2014, one of the Company's Brazilian subsidiaries, NCR Manaus, was notified of a Brazilian federal tax assessment of R \$168 million, or approximately \$51 million as of December 31, 2016, including penalties and interest regarding certain federal indirect taxes for 2010 through 2012. The assessment alleges improper importation of certain components into Brazil's free trade zone that would nullify related indirect tax incentives. We have not recorded an accrual for the assessment, as the Company believes it has a valid position regarding indirect taxes in Brazil and, as such, has filed an appeal. However, it is possible that the Company could be required to pay taxes, penalties and interest related to this matter, which could be material to the Company's Consolidated Financial Statements. The Company estimated the aggregate risk related to this matter to be zero to approximately \$70 million as of December 31, 2016.

Environmental Matters NCR's facilities and operations are subject to a wide range of environmental protection laws, and NCR has investigatory and remedial activities underway at a number of facilities that it currently owns or operates, or formerly owned or operated, to comply, or to determine compliance, with such laws. Also, NCR has been identified, either by a government agency or by a private party seeking contribution to site clean-up costs, as a potentially responsible party (PRP) at a number of sites pursuant to various state and federal laws, including the Federal Water Pollution Control Act, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and comparable state statutes. Other than the Fox River matter and the Kalamazoo River matter detailed below, we currently do not anticipate material expenses and liabilities from these environmental matters.

Fox River (Refer to Note 18, "Subsequent Events", for further information relative to the Fox River matter). NCR is one of eight entities that were formally notified by governmental and other entities, such as local Native American tribes, that they are PRPs for environmental claims (under CERCLA and other statutes) arising out of the presence of polychlorinated biphenyls (PCBs) in sediments in the lower Fox River and in the Bay of Green Bay in Wisconsin. The other Fox River PRPs that received notices are Appleton Papers Inc. (API; now known as Appvion, Inc.), P.H. Glatfelter Company ("Glatfelter"), Georgia-Pacific Consumer Products LP (GP, successor to Fort James Operating Company), WTM I Co. (formerly Wisconsin Tissue Mills, now owned by Canal Corporation, formerly known as Chesapeake Corporation), CBC Corporation (formerly Riverside Paper Corporation), U.S. Paper Mills Corp. (owned by Sonoco Products Company), and Menasha Corporation. NCR was identified as a PRP because of alleged PCB discharges from two carbonless copy paper manufacturing facilities it previously owned, which were located along the Fox River. NCR sold its facilities in 1978 to API. Some parties contend that NCR is also responsible for PCB discharges from paper mills owned by other companies because NCR carbonless copy paper "broke" was allegedly purchased by those other mills as a raw material.

The United States Environmental Protection Agency (USEPA) and Wisconsin Department of Natural Resources (together, the Governments) developed clean-up plans for the upper and lower parts of the Fox River and for portions of the Bay of Green Bay. On November 13, 2007, the Governments issued a unilateral administrative order (the 2007 Order) under CERCLA to the eight original PRPs, requiring them to perform remedial work under the Governments' clean-up plan for the lower parts of the river (operable units 2 through 5). In April 2009, NCR and API formed a limited liability company (the LLC), which entered into an agreement with an environmental remediation contractor to perform the work at the Fox River site. In-water dredging and remediation under the clean-up plan commenced shortly thereafter.

NCR and API, along with B.A.T Industries p.l.c. (BAT), share among themselves a portion of the cost of the Fox River clean-up and natural resource damages (NRD) based upon a 1998 agreement (the Cost Sharing Agreement), a 2005 arbitration award (subsequently confirmed as a judgment), and a September 30, 2014 Funding Agreement (the Funding Agreement). The Cost Sharing Agreement and the arbitration resolved disputes that arose out of the Company's 1978 sale of its Fox River facilities to API. The Cost Sharing Agreement and arbitration award resulted in a 45% share for NCR of the first \$75 million of such costs (a threshold that was reached in 2008), and a 40% share for amounts in excess of \$75 million. The Funding Agreement arose out of a 2012 to

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

2014 arbitration dispute between NCR and API, and provides for regular, ongoing funding of NCR incurred Fox River remediation costs via contributions, made to a new limited liability corporation created by the Funding Agreement, by BAT, API and, for 2014, API's indemnitor, Windward Prospects. The Funding Agreement creates an obligation on BAT and API to fund 50% of NCR's Fox River remediation costs from October 1, 2014 forward; the Funding Agreement also provides NCR opportunities to recoup, both indirectly from third parties and directly, the difference between BAT's and API's 60% obligation under the Cost Sharing Agreement and arbitration award on the one hand and their 50% payments under the Funding Agreement on the other, as well as the difference between the amount NCR received under the Funding Agreement and the amount owed to it under the Cost Sharing Agreement and arbitration award for the period from April 2012 through the end of September 2014.

Various litigation proceedings concerning the Fox River are pending, and, as the result of appellate decisions in September 2014, NCR's potential liability for the Fox River matter, for purposes of calculating the Company's Fox River reserve, is no longer considered to be 100% of the remediation costs in the lower parts of the river. In a contribution action filed in 2008 seeking to determine allocable responsibility of several companies and governmental entities, a federal court in Wisconsin had issued rulings in 2009 and 2011 that effectively placed all remediation liability on NCR for four of the five "operable units" of the site. In another part of the same lawsuit, the Company prevailed in a 2012 trial on claims seeking to hold it liable under an "arranger" theory for the most upriver portion of the site, operable unit 1.

On September 25, 2014, the United States Court of Appeals for the Seventh Circuit issued its ruling on appeal. That ruling vacated the lower court's contribution decisions that were adverse to NCR (i.e., it vacated "the decision to hold NCR responsible for all of the response costs at operable units 2 through 5 in contribution"), set aside an adverse judgment against the Company in the amount of \$76 million, and affirmed the Company's favorable verdict in the "arranger" liability trial with respect to operable unit 1. The case was remanded to the federal district court in Wisconsin for further proceedings, for potential consideration of additional factors noted by the appellate court, in which proceedings NCR will vigorously contest the amount of remediation costs allocable to it, and seek to recover from other parties portions of the costs it has previously paid. The case was scheduled for trial in April 2017. Refer to Note 18, "Subsequent Events" for additional information, including the staying of this trial.

On March 23, 2015, under a case management order applicable to the remanded case the federal district court allowed the filing of certain additional contractual and other claims, including claims against the Company, as well as certain claims by API against other parties (in light of the September 2014 appellate ruling that had restored those claims), which resulted in claims for potential indemnity by those other parties against the Company (under the Funding Agreement, to the extent the Company is liable for such claims, API must pay its recoveries into the limited liability corporation created by the Funding Agreement, and the Company may then seek to obtain reimbursement under its terms). The Company also updated the amounts it is seeking in its affirmative claims against other parties. Additionally, in March 2015, notwithstanding the prior trial and appellate results that had been favorable to the Company, the court entered a ruling holding NCR liable for contamination in operable unit 1, an area upriver from the Company's former facilities, on what the court considered to be new guidance created by the appellate court in its September 2014 decision. The Company believes the March 2015 decision incorrectly applied the appellate court ruling, which had affirmed the Company's favorable trial result on operable unit 1. While the Company's effort to obtain special appellate review in the form of a petition for mandamus was denied on May 1, 2015 by the appellate court, in a subsequent decision dated May 15, 2015 the district court indicated, in a ruling that addressed several issues, that NCR had no liability for operable unit 1, noting "NCR discharged no PCBs in OU1, and therefore has no divisible share of the clean-up costs for that area."

In 2010, the Governments filed a lawsuit (the Government enforcement action) in Wisconsin federal court against the companies named in the 2007 Order. After a 2012 trial, in May 2013 that court held, among other things, that harm at the site is not divisible, and it entered a declaratory judgment against seven defendants (including NCR), finding them jointly and severally liable to comply with the applicable provisions of the 2007 Order. The court also issued an injunction against four companies (including NCR), ordering them to comply with the applicable provisions of the 2007 Order; only NCR complied with the injunction. Several parties, including NCR, appealed from the judgment. In a companion opinion to the ruling described in the preceding paragraph, the United States Court of Appeals for the Seventh Circuit, also on September 25, 2014, vacated the injunction, and also vacated the declaratory judgment that had been entered against the Company. The appellate court also ruled that NCR's defense based on divisibility of harm at the site, which the district court had rejected, must be reconsidered by the district court. The declaratory judgment in the Government enforcement action with respect to liability under the 2007 Order against another defendant, Glatfelter, which pursued its appeal on grounds different from those pursued by NCR, was affirmed.

The case was remanded to the federal district court in Wisconsin for further proceedings. In a ruling on May 15, 2015, the district court ruled in NCR's favor and rejected the Governments' efforts to reinstate the declaratory judgment against NCR. The court issued findings in favor of the Company's divisibility defense, and held that NCR's share of liability for operable unit 4 was 28% (the Company had then already paid more than 28% of the remediation costs for that part of the river). Various parties asked the court to reconsider its ruling, and in October 2015 the court granted those motions, with the prospect that the Company could

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

continue to face joint and several liability for remediation of the river, in conjunction with other PRPs, although the Company's position remains that it has performed more than its fair share of remediation costs at the site. The remaining claims in the Government enforcement action were scheduled to be tried in May 2017 (refer to Note 18, "Subsequent Events" for further information on this matter, including the staying of this trial). With respect to remaining remediation work, one other PRP, GP, had agreed by virtue of an earlier settlement with the Governments that it is "liable to the United States . . . for performance of all response actions that the [2007 Order] requires for" the lower portion of operable unit 4 and operable unit 5.

With respect to 2015 remediation, following negotiations with the Governments and GP the Company agreed in April 2015 to perform a portion of the work planned for 2015, and to fund approximately one-third of the cost of that work, with GP funding an equal amount. This agreement was formalized in a stipulation and proposed consent decree filed with the federal court; each party preserved its rights to recover its 2015 costs from the other in the contribution litigation. The Governments demanded that Glatfelter agree to perform or fund the remaining approximate one-third of the work. NCR and GP undertook the remediation efforts they agreed to perform in 2015. Glatfelter performed portions but not all of the work the Governments sought to require of it.

With respect to 2016 remediation, no formal arrangement for the conduct of 2016 remediation work was reached. NCR and GP offered to perform again the arrangement they performed in 2015, under which NCR and GP would each fund approximately one-third of the work, and NCR and GP commenced remediation work for the 2016 season on that basis. Glatfelter indicated it would fund a portion of 2016 work, but again refused to perform the approximate one-third of work that was proposed for it to perform, and instead performed only a minor quantity of work. Glatfelter's failures to perform its work have caused the expected completion of the remediation to be extended from 2017 to 2018. NCR and GP together funded more than two-thirds of the 2016 remediation work.

With respect to 2017 remediation, refer to Note 18, "Subsequent Events" for further information with respect to the Fox River reserve.

With respect to the Company's prior dispute with API, which was generally superseded by the Funding Agreement, the Company has continued to receive timely payments under the Funding Agreement.

NCR's eventual remediation liability, followed by long-term monitoring, will depend on a number of factors. In establishing the reserve, NCR attempts to estimate a range of reasonably possible outcomes for each of these factors, although each range is itself uncertain. NCR uses its best estimate within the range, if that is possible. Where there is a range of equally possible outcomes, and there is no amount within that range that is considered to be a better estimate than any other amount, NCR uses the low end of the range. In general, the most significant factors include: (1) the total remaining clean-up costs, including long-term monitoring following completion of the clean-up; (2) total NRD for the site; (3) the share of clean-up costs and NRD that NCR will bear; (4) NCR's transaction and litigation costs to defend itself in this matter; and (5) the share of NCR's payments that API and/or BAT will bear, as discussed above. With respect to NRD, in connection with a certain settlement entered into by other PRPs, in the year ended December 31, 2015 the Government asked the court to allow it to withdraw the NRD claims it had prosecuted on behalf of NRD trustees, including those NRD claims asserted against the Company (the Government had represented it would do so in the course of presenting the settlement to the court for approval).

Calculation of the Company's Fox River reserve is subject to several complexities, and it is possible there could be additional changes to some elements of the reserve over upcoming periods, although the Company is unable to predict or estimate such changes at this time. There can be no assurance that the clean-up and related expenditures and liabilities will not have a material effect on NCR's capital expenditures, earnings, financial condition, cash flows, or competitive position. As of December 31, 2016, the net reserve for the Fox River matter was approximately \$27 million, compared to \$26 million as of December 31, 2015. The change in the net reserve is due to payments for clean-up activities and litigation costs, as well as changes in estimates and accruals for litigation expenses. NCR contributes to the LLC in order to fund remediation activities and generally, by contract, has funded certain amounts of remediation expenses in advance. As of December 31, 2016 and 2015, approximately zero remained from this funding. NCR's reserve for the Fox River matter is reduced as the LLC makes payments to the remediation contractor and other vendors with respect to remediation activities. Refer to Note 18, "Subsequent Events" for further information with respect to the Fox River reserve.

Under a 1996 agreement, AT&T Corp. (AT&T) and Nokia (as the successor to the Lucent Technologies and Alcatel-Lucent USA) are responsible severally (not jointly) for indemnifying NCR for certain portions of the amounts paid by NCR for the Fox River matter over a defined threshold and subject to certain offsets. (The agreement governs certain aspects of AT&T's divestiture of NCR and of what was then known as Lucent Technologies.) NCR's estimate of what AT&T and Nokia remain obligated to pay under the indemnity totaled approximately \$31 million and \$15 million as of December 31, 2016 and 2015, respectively, and is deducted in determining the net reserve discussed above.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

In connection with the Fox River and other matters, through December 31, 2016, NCR has received a combined total of approximately \$173 million in settlements reached with its principal insurance carriers. Portions of most of these settlements are payable to a law firm that litigated the claims on the Company's behalf. Some of the settlements cover not only the Fox River but also other environmental sites. Of the total amount collected to date, \$9 million is subject to competing claims by API.

Kalamazoo River In November 2010, USEPA issued a "general notice letter" to NCR with respect to the Allied Paper, Inc./Portage Creek/Kalamazoo River Superfund Site (Kalamazoo River site) in Michigan. Three other companies - International Paper, Mead Corporation, and Consumers Energy - also received general notice letters at or about the same time. USEPA asserts that the site is contaminated by various substances, primarily PCBs, as a result of discharges by various paper mills located along the river. USEPA does not claim that the Company made direct discharges into the Kalamazoo River, and NCR never had facilities at or near the Kalamazoo River site, but indicated that "NCR may be liable under Section 107 of CERCLA ... as an arranger, who by contract or agreement, arranged for the disposal, treatment and/or transportation of hazardous substances at the Site." USEPA stated that it "may issue special notice letters to [NCR] and other PRPs for future RI/FS [remedial investigation / feasibility studies] and RD/RA [remedial design / remedial action] negotiations."

In connection with the Kalamazoo River site, in December 2010 the Company, along with two other defendants, was sued in federal court by three GP affiliate corporations in a contribution and cost recovery action for alleged pollution. The suit, pending in Michigan, asks that the Company pay a "fair portion" of these companies' costs. Various removal and remedial actions remain to be performed at the Kalamazoo River site, the costs for which have not been determined. The suit alleges that the Company is liable as an "arranger" under CERCLA. The initial phase of the case was tried in a Michigan federal court in February 2013; on September 26, 2013 the court issued a decision that held NCR was liable as an "arranger," as of at least March 1969. (PCB-containing carbonless copy paper was produced from approximately 1954 to April 1971, and the majority of contamination had occurred prior to 1969). NCR has preserved its right to appeal the September 2013 decision.

The Court did not determine NCR's share of the overall liability, which the Company believes should be de minimis, or how NCR's liability relates to the liability of other liable or potentially liable parties at the site. Relative shares of liability were tried to the court in a subsequent phase of the case; the trial concluded in December 2015, and posttrial briefing concluded in March 2016. The parties are awaiting the court's judgment. Prior to trial, in response to a motion filed by the Company, the court dismissed several portions of GP's claims as time-barred, with the result that the past costs being tried total to approximately \$50 million. The court may or may not also rule on the allocation of future costs. If the Company is found liable for money damages or otherwise with respect to the Kalamazoo River site, it would have claims against BAT and API under the Cost Sharing Agreement, the arbitration award, the judgment and the Funding Agreement discussed above in connection with the Fox River matter (the Funding Agreement may provide partial reimbursement of such damages depending on the extent of certain recoveries, if any, against third parties under its terms). The Company would also have claims against AT&T and Nokia under the arrangement discussed above in connection with the Fox River matter. As of December 31, 2016 and 2015, the reserve associated with the Kalamazoo matter was approximately \$2 million and \$18 million, respectively.

Environmental Remediation Estimates It is difficult to estimate the future financial impact of environmental laws, including potential liabilities. NCR records environmental provisions when it is probable that a liability has been incurred and the amount or range of the liability is reasonably estimable. Provisions for estimated losses from environmental restoration and remediation are, depending on the site, based generally on internal and third-party environmental studies, estimates as to the number and participation level of other PRPs, the extent of contamination, estimated amounts for attorney and other fees, and the nature of required clean-up and restoration actions. Reserves are adjusted as further information develops or circumstances change. Management expects that the amounts reserved from time to time will be paid out over the period of investigation, negotiation, remediation and restoration for the applicable sites. The amounts provided for environmental matters in NCR's Consolidated Financial Statements are the estimated gross undiscounted amounts of such liabilities, without deductions for indemnity insurance, third-party indemnity claims or recoveries from other PRPs, except as qualified in the following sentences. Except for the sharing agreement with API described above with respect to a particular insurance settlement, in those cases where insurance carriers or third-party indemnitors have agreed to pay any amounts and management believes that collectibility of such amounts is probable, the amounts are recorded in the Consolidated Financial Statements. For the Fox River site, as described above, assets relating to the AT&T and Nokia indemnities and to the API/BAT obligations are recorded as payment is supported by contractual agreements, public filings and/or payment history.

Guarantees and Product Warranties Guarantees associated with NCR's business activities are reviewed for appropriateness and impact to the Company's Consolidated Financial Statements. As of December 31, 2016 and 2015, NCR had no material obligations related to such guarantees, and therefore its Consolidated Financial Statements do not have any associated liability balance.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

NCR provides its customers a standard manufacturer’s warranty and records, at the time of the sale, a corresponding estimated liability for potential warranty costs. Estimated future obligations due to warranty claims are based upon historical factors, such as labor rates, average repair time, travel time, number of service calls per machine and cost of replacement parts. When a sale is consummated, the total customer revenue is recognized, provided that all revenue recognition criteria are otherwise satisfied, and the associated warranty liability is recorded using pre-established warranty percentages for the respective product classes.

From time to time, product design or quality corrections are accomplished through modification programs. When identified, associated costs of labor and parts for such programs are estimated and accrued as part of the warranty reserve.

The Company recorded the activity related to the warranty reserve for the the years ended December 31 as follows:

In millions	2016	2015	2014
Warranty reserve liability			
Beginning balance as of January 1	\$ 24	\$ 22	\$ 22
Accruals for warranties issued	42	41	37
Settlements (in cash or in kind)	(39)	(39)	(37)
Ending balance as of December 31	<u>\$ 27</u>	<u>\$ 24</u>	<u>\$ 22</u>

In addition, NCR provides its customers with certain indemnification rights. In general, NCR agrees to indemnify the customer if a third party asserts patent or other infringement on the part of its customers for its use of the Company’s products subject to certain conditions that are generally standard within the Company’s industries. On limited occasions the Company will undertake additional indemnification obligations for business reasons. From time to time, NCR also enters into agreements in connection with its acquisition and divestiture activities that include indemnification obligations by the Company. The fair value of these indemnification obligations is not readily determinable due to the conditional nature of the Company’s potential obligations and the specific facts and circumstances involved with each particular agreement. The Company has not recorded a liability in connection with these indemnifications, and no current indemnification instance is material to the Company’s financial position. Historically, payments made by the Company under these types of agreements have not had a material effect on the Company’s consolidated financial condition, results of operations or cash flows.

Purchase Commitments The Company has purchase commitments for materials, supplies, services, and property, plant and equipment as part of the normal course of business. This includes a long-term service agreement with Accenture under which many of NCR’s key transaction processing activities and functions are performed.

Leases NCR conducts certain of its sales and manufacturing operations using leased facilities, and also operates certain equipment and vehicles under leases, the initial lease terms of which vary in length. Many of the leases contain renewal options and escalation clauses that are not material to the overall lease portfolio. Our lease obligations also include amounts owed for our future world headquarters in Atlanta. Due to the early stages of construction, we assumed lease commencement in early 2018 and included assumptions regarding the total project cost. Future minimum lease payments under non-cancelable operating leases as of December 31, 2016, for the following fiscal years are:

In millions	2017	2018	2019	2020	2021
Minimum lease obligations	\$ 107	\$ 81	\$ 74	\$ 51	\$ 39

Total rental expense for operating leases was \$132 million in 2016, \$148 million in 2015, and \$128 million in 2014.

11. DERIVATIVES AND HEDGING INSTRUMENTS

NCR is exposed to risks associated with changes in foreign currency exchange rates and interest rates. NCR utilizes a variety of measures to monitor and manage these risks, including the use of derivative financial instruments. NCR has exposure to approximately 50 functional currencies. Since a substantial portion of our operations and revenue occur outside the U.S., and in currencies other than the U.S. Dollar, our results can be significantly impacted, both positively and negatively, by changes in foreign currency exchange rates.

Foreign Currency Exchange Risk The accounting guidance for derivatives and hedging requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the Consolidated Balance Sheets. The Company designates foreign exchange contracts as cash flow hedges of forecasted transactions when they are determined to be highly effective at inception.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Our risk management strategy includes hedging, on behalf of certain subsidiaries, a portion of our forecasted, non-functional currency denominated cash flows for a period of up to 15 months. As a result, some of the impact of currency fluctuations on non-functional currency denominated transactions (and hence on subsidiary operating income, as stated in the functional currency), is mitigated in the near term. The amount we hedge and the duration of hedge contracts may vary significantly. In the longer term (greater than 15 months), the subsidiaries are still subject to the effect of translating the functional currency results to U.S. Dollars. To manage our exposures and mitigate the impact of currency fluctuations on the operations of our foreign subsidiaries, we hedge our main transactional exposures through the use of foreign exchange forward and option contracts. This is primarily done through the hedging of foreign currency denominated inter-company inventory purchases by NCR's marketing units and the foreign currency denominated inputs to our manufacturing units. The related foreign exchange contracts are designated as highly effective cash flow hedges. The gains or losses on these hedges are deferred in accumulated other comprehensive income (AOCI) and reclassified to income when the underlying hedged transaction is recorded in earnings. As of December 31, 2016, the balance in AOCI related to foreign exchange derivative transactions was \$13 million. The gains or losses from derivative contracts related to inventory purchases are recorded in cost of products when the inventory is sold to an unrelated third party.

We also utilize foreign exchange contracts to hedge our exposure of assets and liabilities denominated in non-functional currencies. We recognize the gains and losses on these types of hedges in earnings as exchange rates change. We do not enter into hedges for speculative purposes.

Interest Rate Risk The Company was party to an interest rate swap agreement that fixed the interest rate on a portion of the Company's LIBOR indexed floating rate borrowings under its Senior Secured Credit Facility through August 22, 2016. The Company designated the interest rate swap as a cash flow hedge of forecasted quarterly interest payments made on three-month LIBOR indexed borrowings under the Senior Secured Credit Facility. The interest rate swap was determined to be highly effective at inception.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

The following tables provide information on the location and amounts of derivative fair values in the Consolidated Balance Sheets:

In millions	Fair Values of Derivative Instruments					
	December 31, 2016					
	Balance Sheet Location	Notional Amount	Fair Value	Balance Sheet Location	Notional Amount	Fair Value
Derivatives designated as hedging instruments						
Foreign exchange contracts	Other current assets	\$251	\$18	Other current liabilities	\$56	\$1
Total derivatives designated as hedging instruments			\$18	\$1		
Derivatives not designated as hedging instruments						
Foreign exchange contracts	Other current assets	\$165	\$1	Other current liabilities	\$218	\$1
Total derivatives not designated as hedging instruments			\$1	\$1		
Total derivatives			\$19	\$2		

In millions	Fair Values of Derivative Instruments					
	December 31, 2015					
	Balance Sheet Location	Notional Amount	Fair Value	Balance Sheet Location	Notional Amount	Fair Value
Derivatives designated as hedging instruments						
Interest rate swap	Other current assets	\$—	\$—	Other current liabilities	\$380	\$3
Foreign exchange contracts	Other current assets	53	2	Other current liabilities	105	1
Total derivatives designated as hedging instruments			\$2	\$4		
Derivatives not designated as hedging instruments						
Foreign exchange contracts	Other current assets	\$191	\$1	Other current liabilities	\$204	\$1
Total derivatives not designated as hedging instruments			1	1		
Total derivatives			\$3	\$5		

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

The effects of derivative instruments on the Consolidated Statement of Operations for the years ended December 31 were as follows:

In millions	Amount of Gain (Loss) Recognized in Other Comprehensive Income (OCI) on Derivative (Effective Portion)			Location of (Gain) Loss Reclassified from AOCI into the Consolidated Statement of Operations (Effective Portion)	Amount of (Gain) Loss Recognized in the Consolidated Statement of Operations (Effective Portion)			Location of (Gain) Loss Recognized in the Consolidated Statement of Operations (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of (Gain) Loss Recognized in the Consolidated Statement of Operations (Ineffective Portion and Amount Excluded from Effectiveness Testing)		
	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014		For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014		For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
Derivatives in Cash Flow Hedging Relationships											
Interest rate swap	\$—	\$(2)	(2)	Interest expense	\$2	\$5	\$5	Interest expense	\$—	\$—	\$—
Foreign exchange contracts	\$19	\$12	\$1	Cost of products	\$(3)	\$(12)	\$(1)	Other (expense), net	\$—	\$—	\$—

In millions	Derivatives not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in the Consolidated Statement of Operations	Amount of Gain (Loss) Recognized in the Consolidated Statement of Operations		
			For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
	Foreign exchange contracts	Other (expense), net	\$ (1)	\$(5)	\$11

Refer to Note 12, “Fair Value of Assets and Liabilities” for further information on derivative assets and liabilities recorded at fair value on a recurring basis.

Concentration of Credit Risk

NCR is potentially subject to concentrations of credit risk on accounts receivable and financial instruments such as hedging instruments and cash and cash equivalents. Credit risk includes the risk of nonperformance by counterparties. The maximum potential loss may exceed the amount recognized on the Consolidated Balance Sheets. Exposure to credit risk is managed through credit approvals, credit limits, selecting major international financial institutions as counterparties to hedging transactions and monitoring procedures. NCR’s business often involves large transactions with customers, and if one or more of those customers were to default on its obligations under applicable contractual arrangements, the Company could be exposed to potentially significant losses. However, management believes that the reserves for potential losses are adequate. As of December 31, 2016 and 2015, NCR did not have any major concentration of credit risk related to financial instruments.

12. FAIR VALUE OF ASSETS AND LIABILITIES

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities recorded at fair value on a recurring basis as of December 31, 2016 and 2015 are set forth as follows:

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

In millions	December 31, 2016				December 31, 2015			
	Fair Value Measurements Using				Fair Value Measurements Using			
	December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:								
Deposits held in money market mutual funds ⁽¹⁾	\$5	\$5	\$—	\$—	\$3	\$3	\$—	\$—
Foreign exchange contracts ⁽²⁾	19	—	19	—	3	—	3	—
Total	\$24	\$5	\$19	\$—	\$6	\$3	\$3	\$—
Liabilities:								
Interest rate swap ⁽³⁾	\$—	\$—	\$—	\$—	\$3	\$—	\$3	\$—
Foreign exchange contracts ⁽³⁾	2	—	2	—	2	—	2	—
Total	\$2	\$—	\$2	\$—	\$5	\$—	\$5	\$—

(1) Included in Cash and cash equivalents in the Consolidated Balance Sheet.

(2) Included in Other current assets in the Consolidated Balance Sheet.

(3) Included in Other current liabilities in the Consolidated Balance Sheet.

Deposits Held in Money Market Mutual Funds A portion of the Company's excess cash is held in money market mutual funds which generate interest income based on prevailing market rates. Money market mutual fund holdings are measured at fair value using quoted market prices and are classified within Level 1 of the valuation hierarchy.

Interest rate swap As a result of our Senior Secured Credit Facility, we are exposed to risk from changes in LIBOR, which may adversely affect our financial condition. To manage our exposure and mitigate the impact of changes in LIBOR on our financial results, we previously hedged a portion of our forecasted interest payments through the use of an interest rate swap agreement. The interest rate swap was valued using the income approach inclusive of nonperformance and counterparty risk considerations and was classified within Level 2 of the valuation hierarchy as of December 31, 2015.

Foreign Exchange Contracts As a result of our global operating activities, we are exposed to risks from changes in foreign currency exchange rates, which may adversely affect our financial condition. To manage our exposures and mitigate the impact of currency fluctuations on our financial results, we hedge our primary transactional exposures through the use of foreign exchange forward and option contracts. The foreign exchange contracts are valued using the market approach based on observable market transactions of forward rates and are classified within Level 2 of the valuation hierarchy.

Assets Measured at Fair Value on a Non-recurring Basis

Certain assets have been measured at fair value on a nonrecurring basis using significant unobservable inputs (Level 3). NCR measures certain assets, including intangible assets and cost and equity method investments, at fair value on a non-recurring basis. These assets are recognized at fair value when initially valued and when deemed to be impaired. Additionally, NCR reviews the carrying values of investments when events and circumstances warrant and considers all available evidence in evaluating when declines in fair value are other-than-temporary declines. NCR carries equity investments in privately-held companies at cost or at fair value when NCR recognizes an other-than-temporary impairment charge.

No impairment charges or material non-recurring fair value adjustments were recorded during the year ended December 31, 2016.

As of December 31, 2015, we determined that it was probable that we would dispose of our IPS business, which triggered an impairment assessment of the related assets which include long-lived assets and goodwill. The assets related to the IPS business were valued using a market approach based on an independent third-party market price. Refer to Note 2, "Business Combinations and Divestitures" and Note 4, "Goodwill and Purchased Intangible Assets" for additional discussion. On May 27, 2016, NCR

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

completed the sale of all but the Middle East and Africa (MEA) assets of its Interactive Printer Solutions (IPS) business to Atlas Holdings LLC.

During the year ended December 31, 2014, we measured the fair value of an investment utilizing the income approach based on the use of discounted cash flows. The discounted cash flows are based on unobservable inputs, including assumptions of projected revenue, expenses, earnings, capital spending, as well as a discount rate determined by management's estimates of risk associated with the investment. As a result, for the twelve months ended December 31, 2014, we recorded an other-than-temporary impairment charge of \$3 million in Other (expense) income, net in the Consolidated Statements of Operations based on Level 3 valuations. As of December 31, 2016 and 2015, there was no remaining carrying value of the related investments. See Note 3, "Restructuring Plan" for additional information on the charge recorded for the year ended December 31, 2014.

13. SEGMENT INFORMATION AND CONCENTRATIONS

The Company manages and reports the following three segments:

- **Software** - Our software portfolio includes industry-based software applications and application suites for the financial services, retail, hospitality and small business industries. We also offer other industry-oriented software applications, including cash management software, video banking software, fraud and loss-prevention applications, check and document imaging, remote-deposit capture and customer-facing digital banking applications for the financial services industry; and secure electronic and mobile payment solutions, sector-specific point of sale software applications, and back-office inventory and store and restaurant management software applications for the retail and hospitality industries. Additionally, we provide ongoing software support and maintenance services, as well as consulting and implementation services for our software solutions.
- **Services** - Our global end-to-end services solutions include assessment and preparation, staging, installation, implementation, and maintenance and support for our hardware solutions. We also provide systems management and complete managed services for our product offerings. In addition, we provide servicing for third party networking products and computer hardware from select manufacturers.
- **Hardware** - Our hardware solutions include our suite of financial-oriented self-service ATM-related hardware, and our retail- and hospitality-oriented point of sale terminal, self-checkout kiosk and related hardware. We also offer other self-service kiosks, such as self-check in/out kiosks for airlines, and wayfinding solutions for buildings and campuses.

These segments represent components of the Company for which separate financial information is available that is utilized on a regular basis by the chief operating decision maker in assessing segment performance and in allocating the Company's resources. Management evaluates the performance of the segments based on revenue and segment operating income. Assets are not allocated to segments, and thus are not included in the assessment of segment performance, and consequently, we do not disclose total assets by reportable segment.

The accounting policies used to determine the results of the operating segments are the same as those utilized for the consolidated financial statements as a whole. Intersegment sales and transfers are not material.

To maintain operating focus on business performance, non-operational items are excluded from the segment operating results utilized by our chief operating decision maker in evaluating segment performance and are separately delineated to reconcile back to total reported income from operations.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

The following table presents revenue and operating income by segment for the years ended December 31:

In millions	2016	2015	2014
Revenue by segment			
Software	\$ 1,841	\$ 1,747	\$ 1,748
Services	2,306	2,218	2,272
Hardware ⁽¹⁾	2,396	2,408	2,571
Consolidated revenue	6,543	6,373	6,591
Operating income by segment			
Software	577	539	526
Services	201	194	165
Hardware ⁽¹⁾	62	87	126
Subtotal - segment operating income	840	820	817
Other adjustments ⁽²⁾	241	685	464
Income from operations	\$ 599	\$ 135	\$ 353

⁽¹⁾ On May 27, 2016, NCR completed the sale of substantially all of its IPS business to Atlas Holdings. The sale included all dedicated assets of the IPS division worldwide, other than in the MEA region. Accordingly, the revenue and operating income results exclude the results of the IPS operations, except for the IPS MEA operations, from May 27, 2016 through the end of the fourth quarter of 2016.

⁽²⁾ The following table presents the other adjustments for NCR for the years ended December 31:

In millions	2016	2015	2014
Pension mark-to-market adjustments	\$ 85	\$ 454	\$ 149
Restructuring/transformation costs	26	74	160
Acquisition-related amortization of intangible assets	123	125	119
Acquisition-related costs	7	11	27
Acquisition-related purchase price adjustments	—	—	6
OFAC and FCPA investigations	—	1	3
Reserve related to subcontract in MEA	—	20	—
Total other adjustments	\$ 241	\$ 685	\$ 464

The following table presents revenue from products and services for NCR for the years ended December 31:

In millions	2016	2015	2014
Product revenue	\$ 2,737	\$ 2,711	\$ 2,892
Professional services and installation services revenue	1,011	944	971
Recurring revenue, including maintenance and cloud revenue	2,795	2,718	2,728
Total revenue	\$ 6,543	\$ 6,373	\$ 6,591

Revenue is attributed to the geographic area/country to which the product is delivered or in which the service is provided. The following table presents revenue by geographic area for NCR for the years ended December 31:

In millions	2016	%	2015	%	2014	%
Revenue by Geographic Area						
United States	\$ 3,106	47%	\$ 2,909	46%	\$ 2,723	41%
Americas (excluding United States)	637	10%	590	9%	634	10%
Europe, Middle East and Africa (EMEA)	1,896	29%	1,964	31%	2,184	33%
Asia Pacific (APJ)	904	14%	910	14%	1,050	16%
Consolidated revenue	\$ 6,543	100%	\$ 6,373	100%	\$ 6,591	100%

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

The following table presents property, plant and equipment by geographic area as of December 31:

In millions	2016	2015
Property, plant and equipment, net		
United States	\$ 139	\$ 157
Americas (excluding United States)	21	29
Europe, Middle East and Africa (EMEA)	70	78
Asia Pacific (APJ)	57	58
Consolidated property, plant and equipment, net	\$ 287	\$ 322

Concentrations No single customer accounts for more than 10% of NCR's consolidated revenue. As of December 31, 2016, NCR is not aware of any significant concentration of business transacted with a particular customer that could, if suddenly eliminated, have a material adverse effect on NCR's operations. NCR also lacks a concentration of available sources of labor, services, licenses or other rights that could, if suddenly eliminated, have a material adverse effect on its operations.

A number of NCR's products, systems and solutions rely primarily on specific suppliers for microprocessors and other component products, manufactured assemblies, operating systems, commercial software and other central components. NCR also utilizes contract manufacturers in order to complete manufacturing activities. There can be no assurances that any sudden impact to the availability or cost of these technologies or services would not have a material adverse effect on NCR's operations.

14. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in Accumulated Other Comprehensive Income (AOCI) by Component

The changes in AOCI for the years ended December 31 are as follows:

In millions	Currency Translation Adjustments	Changes in Employee Benefit Plans	Changes in Fair Value of Effective Cash Flow Hedges	Changes in Fair Value of Available for Sale Securities	Total
Balance at December 31, 2013	\$ (52)	\$ 16	\$ (5)	\$ 3	\$ (38)
Other comprehensive (loss) before reclassifications	(73)	(12)	(1)	—	(86)
Amounts reclassified from AOCI	—	(12)	3	(3)	(12)
Net current period other comprehensive (loss) income	(73)	(24)	2	(3)	(98)
Balance at December 31, 2014	\$ (125)	\$ (8)	\$ (3)	\$ —	\$ (136)
Other comprehensive (loss) income before reclassifications	(47)	43	8	—	4
Amounts reclassified from AOCI	—	(12)	(6)	—	(18)
Net current period other comprehensive (loss) income	(47)	31	2	—	(14)
Balance at December 31, 2015	\$ (172)	\$ 23	\$ (1)	\$ —	\$ (150)
Other comprehensive (loss) income before reclassifications	(52)	(1)	16	—	(37)
Amounts reclassified from AOCI	—	(16)	(2)	—	(18)
Net current period other comprehensive (loss) income	(52)	(17)	14	—	(55)
Balance at December 31, 2016	\$ (224)	\$ 6	\$ 13	\$ —	\$ (205)

Reclassifications Out of AOCI

The reclassifications out of AOCI for the years ended December 31 are as follows:

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

For the year ended December 31, 2016				
Employee Benefit Plans				
In millions	Actuarial Losses Recognized	Amortization of Prior Service Benefit	Effective Cash Flow Hedges	Total
Affected line in Consolidated Statement of Operations:				
Cost of products	\$ —	\$ —	\$ (3)	\$ (3)
Cost of services	(1)	(10)	—	(11)
Selling, general and administrative expenses	—	(6)	—	(6)
Research and development expenses	(1)	(3)	—	(4)
Interest expense	—	—	2	2
Total before tax	<u>\$ (2)</u>	<u>\$ (19)</u>	<u>\$ (1)</u>	<u>\$ (22)</u>
Tax expense				4
Total reclassifications, net of tax				<u>\$ (18)</u>

For the year ended December 31, 2015				
Employee Benefit Plans				
In millions	Actuarial Losses Recognized	Amortization of Prior Service Benefit	Effective Cash Flow Hedges	Total
Affected line in Consolidated Statement of Operations:				
Cost of products	\$ —	\$ (1)	\$ (12)	\$ (13)
Cost of services	\$ 1	\$ (9)	\$ —	\$ (8)
Selling, general and administrative expenses	1	(7)	—	(6)
Research and development expenses	—	(4)	—	(4)
Interest expense	—	—	5	5
Total before tax	<u>\$ 2</u>	<u>\$ (21)</u>	<u>\$ (7)</u>	<u>\$ (26)</u>
Tax expense				8
Total reclassifications, net of tax				<u>\$ (18)</u>

For the year ended December 31, 2014				
Employee Benefit Plans				
In millions	Actuarial Losses Recognized	Effective Cash Flow Hedges	Securities	Total
Affected line in Consolidated Statement of Operations:				
Cost of products	\$ (10)	\$ —	\$ —	\$ (10)
Cost of services	(6)	—	—	(6)
Selling, general and administrative expenses	(4)	—	—	(4)
Research and development expenses	—	4	—	4
Interest expense	—	—	(4)	(4)
Total before tax	<u>\$ (20)</u>	<u>\$ 4</u>	<u>\$ (4)</u>	<u>\$ (20)</u>
Tax expense				8
Total reclassifications, net of tax				<u>\$ (12)</u>

15. SUPPLEMENTAL FINANCIAL INFORMATION

The components of other (expense), net are summarized as follows for the years ended December 31:

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

In millions	2016	2015	2014
Other (expense), net			
Interest income	\$ 4	\$ 5	\$ 6
Foreign currency fluctuations and foreign exchange contracts	(40)	(21)	(32)
Impairment of an investment	—	—	(3)
Divestiture and liquidation losses	(6)	(34)	—
Gain on sale of available for sale securities	—	—	4
Other, net	(8)	(7)	(10)
Total other (expense), net	\$ (50)	\$ (57)	\$ (35)

The components of accounts receivable are summarized as follows:

In millions	December 31, 2016	December 31, 2015
Accounts receivable		
Trade	\$ 1,266	\$ 1,259
Other	57	39
Accounts receivable, gross	1,323	1,298
Less: allowance for doubtful accounts	(41)	(47)
Total accounts receivable, net	\$ 1,282	\$ 1,251

The components of inventory are summarized as follows:

In millions	December 31, 2016	December 31, 2015
Inventories		
Work in process and raw materials	\$ 154	\$ 137
Finished goods	149	129
Service parts	396	377
Total inventories	\$ 699	\$ 643

The components of other current assets are summarized as follows:

In millions	December 31, 2016	December 31, 2015
Other current assets		
Held for sale assets	\$ —	\$ 89
Other	278	238
Total other current assets	\$ 278	\$ 327

The components of property, plant and equipment are summarized as follows:

In millions	December 31, 2016	December 31, 2015
Property, plant and equipment		
Land and improvements	\$ 6	\$ 7
Buildings and improvements	198	196
Machinery and other equipment	598	597
Property, plant and equipment, gross	802	800
Less: accumulated depreciation	(515)	(478)
Total property, plant and equipment, net	\$ 287	\$ 322

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

16. GUARANTOR FINANCIAL STATEMENTS

The Company's 5.00% Notes, 4.625% Notes, 5.875% Notes and 6.375% Notes are guaranteed by the Company's subsidiary, NCR International, Inc. (Guarantor Subsidiary), which is 100% owned by the Company and has guaranteed fully and unconditionally the obligations to pay principal and interest for these senior unsecured notes. The guarantees are subject to release under certain circumstances as described below:

- the designation of the Guarantor Subsidiary as an unrestricted subsidiary under the indenture governing the notes;
- the release of the Guarantor Subsidiary from its guarantee under the Senior Secured Credit Facility;
- the release or discharge of the indebtedness that required the guarantee of the notes by the Guarantor Subsidiary;
- the permitted sale or other disposition of the Guarantor Subsidiary to a third party; and
- the Company's exercise of its legal defeasance option of its covenant defeasance option under the indenture governing the notes.

Refer to Note 6, "Debt Obligations" for additional information.

In connection with the previously completed exchange offers for the 5.00% Notes, 4.625% Notes, 5.875% Notes and 6.375% Notes, the Company is required to comply with Rule 3-10 of SEC Regulation S-X (Rule 3-10), and has therefore included the accompanying Condensed Consolidating Financial Statements in accordance with Rule 3-10(f) of SEC Regulation S-X.

The following supplemental information sets forth, on a consolidating basis, the condensed statements of operations and comprehensive income (loss), the condensed balance sheets and the condensed statements of cash flows for the parent issuer of these senior unsecured notes, for the Guarantor Subsidiary and for the Company and all of its consolidated subsidiaries. As of January 1, 2016, certain non-guarantor subsidiaries were acquired by, and merged into, the parent issuer. Accordingly, all prior period condensed consolidating guarantor financial statements were updated to reflect the mergers.

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Consolidating Statements of Operations and Comprehensive Income (Loss)
For the year ended December 31, 2016

(in millions)	Parent Issuer	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Product revenue	\$ 1,293	\$ 111	\$ 1,768	\$ (435)	\$ 2,737
Service revenue	1,615	36	2,155	—	3,806
Total revenue	2,908	147	3,923	(435)	6,543
Cost of products	1,024	50	1,463	(435)	2,102
Cost of services	1,170	12	1,477	—	2,659
Selling, general and administrative expenses	484	4	438	—	926
Research and development expenses	139	—	103	—	242
Restructuring-related charges	11	—	4	—	15
Total operating expenses	2,828	66	3,485	(435)	5,944
Income (loss) from operations	80	81	438	—	599
Interest expense	(165)	—	(74)	69	(170)
Other (expense) income, net	44	(23)	(2)	(69)	(50)
Income (loss) from continuing operations before income taxes	(41)	58	362	—	379
Income tax expense (benefit)	(18)	21	89	—	92
Income (loss) from continuing operations before earnings in subsidiaries	(23)	37	273	—	287
Equity in earnings of consolidated subsidiaries	306	304	—	(610)	—
Income (loss) from continuing operations	283	341	273	(610)	287
Income (loss) from discontinued operations, net of tax	(13)	—	—	—	(13)
Net income (loss)	\$ 270	\$ 341	\$ 273	\$ (610)	\$ 274
Net income (loss) attributable to noncontrolling interests	—	—	4	—	4
Net income (loss) attributable to NCR	\$ 270	\$ 341	\$ 269	\$ (610)	\$ 270
Total comprehensive income (loss)	215	277	210	(488)	214
Less comprehensive income (loss) attributable to noncontrolling interests	—	—	(1)	—	(1)
Comprehensive income (loss) attributable to NCR common stockholders	\$ 215	\$ 277	\$ 211	\$ (488)	\$ 215

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Consolidating Statements of Operations and Comprehensive Income (Loss)
For the year ended December 31, 2015

(in millions)	Parent Issuer	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Product revenue	\$ 1,189	\$ 105	\$ 2,339	\$ (922)	\$ 2,711
Service revenue	1,528	33	2,101	—	3,662
Total revenue	2,717	138	4,440	(922)	6,373
Cost of products	904	43	2,047	(922)	2,072
Cost of services	1,103	13	1,716	—	2,832
Selling, general and administrative expenses	501	4	537	—	1,042
Research and development expenses	102	—	128	—	230
Restructuring-related charges	32	—	30	—	62
Total operating expenses	2,642	60	4,458	(922)	6,238
Income (loss) from operations	75	78	(18)	—	135
Interest expense	(168)	—	(78)	73	(173)
Other (expense) income, net	22	4	(10)	(73)	(57)
Income (loss) from continuing operations before income taxes	(71)	82	(106)	—	(95)
Income tax expense (benefit)	(33)	52	36	—	55
Income (loss) from continuing operations before earnings in subsidiaries	(38)	30	(142)	—	(150)
Equity in earnings of consolidated subsidiaries	(115)	(161)	—	276	—
Income (loss) from continuing operations	(153)	(131)	(142)	276	(150)
Income (loss) from discontinued operations, net of tax	(25)	—	1	—	(24)
Net income (loss)	\$ (178)	\$ (131)	\$ (141)	\$ 276	\$ (174)
Net income (loss) attributable to noncontrolling interests	—	—	4	—	4
Net income (loss) attributable to NCR	\$ (178)	\$ (131)	\$ (145)	\$ 276	\$ (178)
Total comprehensive income (loss)	(192)	(154)	(156)	311	(191)
Less comprehensive income (loss) attributable to noncontrolling interests	—	—	1	—	1
Comprehensive income (loss) attributable to NCR common stockholders	\$ (192)	\$ (154)	\$ (157)	\$ 311	\$ (192)

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Consolidating Statements of Operations and Comprehensive Income (Loss)
For the year ended December 31, 2014

(in millions)	Parent Issuer	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Product revenue	\$ 1,103	\$ 111	\$ 2,099	\$ (421)	\$ 2,892
Service revenue	1,445	28	2,226	—	3,699
Total revenue	2,548	139	4,325	(421)	6,591
Cost of products	867	41	1,666	(421)	2,153
Cost of services	1,119	13	1,574	—	2,706
Selling, general and administrative expenses	519	2	491	—	1,012
Research and development expenses	161	—	102	—	263
Restructuring-related charges	32	1	71	—	104
Total operating expenses	2,698	57	3,904	(421)	6,238
Income (loss) from operations	(150)	82	421	—	353
Interest expense	(177)	(1)	(75)	72	(181)
Other (expense) income, net	39	(4)	2	(72)	(35)
Income (loss) from continuing operations before income taxes	(288)	77	348	—	137
Income tax expense (benefit)	(169)	68	53	—	(48)
Income (loss) from continuing operations before earnings in subsidiaries	(119)	9	295	—	185
Equity in earnings of consolidated subsidiaries	300	373	—	(673)	—
Income (loss) from continuing operations	181	382	295	(673)	185
Income (loss) from discontinued operations, net of tax	10	—	—	—	10
Net income (loss)	\$ 191	\$ 382	\$ 295	\$ (673)	\$ 195
Net income (loss) attributable to noncontrolling interests	—	—	4	—	4
Net income (loss) attributable to NCR	\$ 191	\$ 382	\$ 291	\$ (673)	\$ 191
Total comprehensive income (loss)	93	300	188	(487)	94
Less comprehensive income (loss) attributable to noncontrolling interests	—	—	1	—	1
Comprehensive income (loss) attributable to NCR common stockholders	\$ 93	\$ 300	\$ 187	\$ (487)	\$ 93

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Consolidating Balance Sheet
December 31, 2016

(in millions)	Parent Issuer	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets					
Cash and cash equivalents	\$ 65	\$ 12	\$ 421	\$ —	\$ 498
Accounts receivable, net	64	25	1,193	—	1,282
Inventories	272	13	414	—	699
Due from affiliates	680	1,509	400	(2,589)	—
Other current assets	140	37	162	(61)	278
Total current assets	<u>1,221</u>	<u>1,596</u>	<u>2,590</u>	<u>(2,650)</u>	<u>2,757</u>
Property, plant and equipment, net	129	—	158	—	287
Goodwill	988	—	1,739	—	2,727
Intangibles, net	176	—	496	—	672
Prepaid pension cost	—	—	94	—	94
Deferred income taxes	499	98	82	(104)	575
Investments in subsidiaries	3,275	2,822	—	(6,097)	—
Due from affiliates	1,053	—	35	(1,088)	—
Other assets	405	56	100	—	561
Total assets	<u>\$ 7,746</u>	<u>\$ 4,572</u>	<u>\$ 5,294</u>	<u>\$ (9,939)</u>	<u>\$ 7,673</u>
Liabilities and stockholders' equity					
Current liabilities					
Short-term borrowings	\$ 46	\$ —	\$ 4	\$ —	\$ 50
Accounts payable	310	2	469	—	781
Payroll and benefits liabilities	129	—	105	—	234
Deferred service revenue and customer deposits	193	5	270	—	468
Due to affiliates	1,736	154	699	(2,589)	—
Other current liabilities	224	6	263	(61)	432
Total current liabilities	<u>2,638</u>	<u>167</u>	<u>1,810</u>	<u>(2,650)</u>	<u>1,965</u>
Long-term debt	2,998	—	3	—	3,001
Pension and indemnity plan liabilities	473	—	266	—	739
Postretirement and postemployment benefits liabilities	24	3	100	—	127
Income tax accruals	17	4	121	—	142
Due to affiliates	—	35	1,053	(1,088)	—
Other liabilities	54	5	183	(104)	138
Total liabilities	<u>6,204</u>	<u>214</u>	<u>3,536</u>	<u>(3,842)</u>	<u>6,112</u>
Redeemable noncontrolling interest	—	—	15	—	15
Series A convertible preferred stock	847	—	—	—	847
Stockholders' equity					
Total NCR stockholders' equity	695	4,358	1,739	(6,097)	695
Noncontrolling interests in subsidiaries	—	—	4	—	4
Total stockholders' equity	<u>695</u>	<u>4,358</u>	<u>1,743</u>	<u>(6,097)</u>	<u>699</u>
Total liabilities and stockholders' equity	<u>\$ 7,746</u>	<u>\$ 4,572</u>	<u>\$ 5,294</u>	<u>\$ (9,939)</u>	<u>\$ 7,673</u>

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Consolidating Balance Sheet
December 31, 2015

(in millions)	Parent Issuer	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets					
Cash and cash equivalents	\$ 15	\$ 20	\$ 293	\$ —	\$ 328
Accounts receivable, net	99	33	1,119	—	1,251
Inventories	235	6	402	—	643
Due from affiliates	573	1,325	288	(2,186)	—
Other current assets	132	31	203	(39)	327
Total current assets	<u>1,054</u>	<u>1,415</u>	<u>2,305</u>	<u>(2,225)</u>	<u>2,549</u>
Property, plant and equipment, net	140	1	181	—	322
Goodwill	980	—	1,753	—	2,733
Intangibles, net	212	—	586	—	798
Prepaid pension cost	—	—	130	—	130
Deferred income taxes	475	152	84	(129)	582
Investments in subsidiaries	3,172	2,729	—	(5,901)	—
Due from affiliates	1,072	17	38	(1,127)	—
Other assets	362	55	104	—	521
Total assets	<u>\$ 7,467</u>	<u>\$ 4,369</u>	<u>\$ 5,181</u>	<u>\$ (9,382)</u>	<u>\$ 7,635</u>
Liabilities and stockholders' equity					
Current liabilities					
Short-term borrowings	\$ 4	\$ —	\$ 9	\$ —	\$ 13
Accounts payable	281	—	376	—	657
Payroll and benefits liabilities	95	1	93	—	189
Deferred service revenue and customer deposits	183	24	269	—	476
Due to affiliates	1,408	137	641	(2,186)	—
Other current liabilities	216	3	266	(39)	446
Total current liabilities	<u>2,187</u>	<u>165</u>	<u>1,654</u>	<u>(2,225)</u>	<u>1,781</u>
Long-term debt	3,229	—	10	—	3,239
Pension and indemnity plan liabilities	436	—	260	—	696
Postretirement and postemployment benefits liabilities	27	3	103	—	133
Income tax accruals	14	13	140	—	167
Due to affiliates	18	37	1,072	(1,127)	—
Other liabilities	38	—	170	(129)	79
Total liabilities	<u>5,949</u>	<u>218</u>	<u>3,409</u>	<u>(3,481)</u>	<u>6,095</u>
Redeemable noncontrolling interest	—	—	16	—	16
Series A Convertible Preferred Stock	798	—	—	—	798
Stockholders' equity					
Total NCR stockholders' equity	720	4,151	1,750	(5,901)	720
Noncontrolling interests in subsidiaries	—	—	6	—	6
Total stockholders' equity	<u>720</u>	<u>4,151</u>	<u>1,756</u>	<u>(5,901)</u>	<u>726</u>
Total liabilities and stockholders' equity	<u>\$ 7,467</u>	<u>\$ 4,369</u>	<u>\$ 5,181</u>	<u>\$ (9,382)</u>	<u>\$ 7,635</u>

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Consolidating Statement of Cash Flows
For the year ended December 31, 2016

(in millions)	Parent Issuer	Guarantor Subsidiary	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ 272	\$ (160)	\$ 785	\$ (3)	\$ 894
Investing activities					
Expenditures for property, plant and equipment	(31)	—	(42)	—	(73)
Proceeds from the sale of property, plant and equipment	—	—	—	—	—
Additions to capitalized software	(95)	—	(59)	—	(154)
Proceeds from (payments of) intercompany notes	409	115	—	(524)	—
Proceeds from divestitures	22	—	25	—	47
Investments in equity affiliates	(9)	50	—	(41)	—
Other investing activities, net	(9)	—	—	—	(9)
Net cash provided by (used in) investing activities	287	165	(76)	(565)	(189)
Financing activities					
Short term borrowings, net	(4)	—	(4)	—	(8)
Payments on term credit facilities	(89)	—	(8)	—	(97)
Payments on revolving credit facilities	(1,151)	—	(280)	—	(1,431)
Borrowings on revolving credit facilities	1,051	—	280	—	1,331
Debt issuance costs	(9)	—	—	—	(9)
Tax withholding payments on behalf of employees	(16)	—	—	—	(16)
Proceeds from employee stock plans	15	—	—	—	15
Other financing activities	—	—	(2)	—	(2)
Dividend distribution to consolidated subsidiaries	—	—	(53)	53	—
Repurchases of Company common stock	(250)	—	—	—	(250)
Equity contribution	—	—	9	(9)	—
Borrowings (repayments) of intercompany notes	(17)	—	(507)	524	—
Net cash provided by (used in) financing activities	(470)	—	(565)	568	(467)
Cash flows from discontinued operations					
Net cash used in discontinued operations operating activities	(39)	—	—	—	(39)
Effect of exchange rate changes on cash and cash equivalents	—	(13)	(16)	—	(29)
(Decrease) increase in cash and cash equivalents	50	(8)	128	—	170
Cash and cash equivalents at beginning of period	15	20	293	—	328
Cash and cash equivalents at end of period	\$ 65	\$ 12	\$ 421	\$ —	\$ 498

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Consolidating Statement of Cash Flows
For the year ended December 31, 2015

(in millions)	Parent Issuer	Guarantor Subsidiary	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ 346	\$ (335)	\$ 747	\$ (77)	\$ 681
Investing activities					
Expenditures for property, plant and equipment	(22)	—	(57)	—	(79)
Proceeds from sales of property, plant and equipment	—	—	19	—	19
Additions to capitalized software	(91)	—	(59)	—	(150)
Proceeds from (payments of) intercompany notes	272	347	—	(619)	—
Investments in equity affiliates	(1)	—	—	1	—
Other investing activities, net	(6)	—	7	—	1
Net cash provided by (used in) investing activities	<u>152</u>	<u>347</u>	<u>(90)</u>	<u>(618)</u>	<u>(209)</u>
Financing activities					
Short term borrowings, net	3	—	5	—	8
Payments on term credit facilities	(376)	—	(7)	—	(383)
Payments on revolving credit facilities	(729)	—	(965)	—	(1,694)
Borrowings on revolving credit facilities	829	—	869	—	1,698
Tax withholding payments on behalf of employees	(16)	—	—	—	(16)
Proceeds from employee stock plans	15	—	—	—	15
Dividend distribution to consolidated subsidiaries	—	—	(77)	77	—
Series A convertible preferred stock issuance	794	—	—	—	794
Tender offer share repurchase	(1,005)	—	—	—	(1,005)
Equity contribution	—	—	1	(1)	—
Borrowings (repayments) of intercompany notes	—	—	(619)	619	—
Net cash provided by (used in) financing activities	<u>(485)</u>	<u>—</u>	<u>(793)</u>	<u>695</u>	<u>(583)</u>
Cash flows from discontinued operations					
Net cash used in discontinued operations operating activities	(43)	—	—	—	(43)
Effect of exchange rate changes on cash and cash equivalents	—	(1)	(28)	—	(29)
Increase (decrease) in cash and cash equivalents	(30)	11	(164)	—	(183)
Cash and cash equivalents at beginning of period	45	9	457	—	511
Cash and cash equivalents at end of period	<u>\$ 15</u>	<u>\$ 20</u>	<u>\$ 293</u>	<u>\$ —</u>	<u>\$ 328</u>

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

Consolidating Statement of Cash Flows
For the year ended December 31, 2014

(in millions)	Parent Issuer	Guarantor Subsidiary	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ 405	\$ (108)	\$ 322	\$ (95)	\$ 524
Investing activities					
Expenditures for property, plant and equipment	(54)	—	(64)	—	(118)
Proceeds from sales of property, plant and equipment	—	—	1	—	1
Additions to capitalized software	(82)	—	(58)	—	(140)
Business acquisitions, net	(1,647)	—	—	—	(1,647)
Changes in restricted cash	1,114	—	—	—	1,114
Proceeds from (payments of) intercompany notes	42	106	—	(148)	—
Investments in equity affiliates	(2)	—	—	2	—
Other investing activities, net	(5)	—	7	—	2
Net cash provided by (used in) investing activities	(634)	106	(114)	(146)	(788)
Financing activities					
Payments on revolving credit facilities	(34)	—	(3)	—	(37)
Borrowings on term credit facilities	250	—	—	—	250
Payments on revolving credit facilities	(946)	—	(104)	—	(1,050)
Borrowings on revolving credit facilities	946	—	200	—	1,146
Debt issuance costs	(4)	—	(1)	—	(5)
Tax withholding payments on behalf of employees	(28)	—	—	—	(28)
Proceeds from employee stock plans	13	—	—	—	13
Other financing activities	(1)	—	(4)	—	(5)
Dividend distribution to consolidated subsidiaries	—	—	(95)	95	—
Equity contribution	—	—	2	(2)	—
Borrowings (repayments) of intercompany notes	—	—	(148)	148	—
Net cash provided by (used in) financing activities	196	—	(153)	241	284
Cash flows from discontinued operations					
Net cash used in discontinued operations operating activities	(1)	—	—	—	(1)
Effect of exchange rate changes on cash and cash equivalents	—	—	(36)	—	(36)
Increase (decrease) in cash and cash equivalents	(34)	(2)	19	—	(17)
Cash and cash equivalents at beginning of period	79	11	438	—	528
Cash and cash equivalents at end of period	\$ 45	\$ 9	\$ 457	\$ —	\$ 511

17. QUARTERLY INFORMATION (UNAUDITED)

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

In millions, except per share amounts	First	Second	Third	Fourth
2016				
Total revenue	\$ 1,444	\$ 1,620	\$ 1,677	\$ 1,802
Gross margin	380	446	477	479
Operating income	101	163	189	146
Income from continuing operations (attributable to NCR)	32	76	107	68
Income (loss) from discontinued operations, net of tax	—	—	(2)	(11)
Net income attributable to NCR	<u>\$ 21</u>	<u>\$ 63</u>	<u>\$ 92</u>	<u>\$ 45</u>
Income per share attributable to NCR common stockholders:				
Income per common share from continuing operations				
Basic	<u>\$ 0.16</u>	<u>\$ 0.51</u>	<u>\$ 0.76</u>	<u>\$ 0.45</u>
Diluted	<u>\$ 0.16</u>	<u>\$ 0.49</u>	<u>\$ 0.69</u>	<u>\$ 0.43</u>
Net income per common share:				
Basic	<u>\$ 0.16</u>	<u>\$ 0.51</u>	<u>\$ 0.74</u>	<u>\$ 0.36</u>
Diluted	<u>\$ 0.16</u>	<u>\$ 0.49</u>	<u>\$ 0.68</u>	<u>\$ 0.35</u>
2015				
Total revenue	\$ 1,476	\$ 1,604	\$ 1,613	\$ 1,680
Gross margin	390	146	457	476
Operating income (loss)	95	(266)	168	138
Income (loss) from continuing operations (attributable to NCR)	40	(344)	102	44
Income (loss) from discontinued operations, net of tax	—	—	(4)	(20)
Net income (loss) attributable to NCR	<u>\$ 40</u>	<u>\$ (344)</u>	<u>\$ 98</u>	<u>\$ 24</u>
Income (loss) per share attributable to NCR common stockholders:				
Income (loss) per common share from continuing operations				
Basic	<u>\$ 0.24</u>	<u>\$ (2.03)</u>	<u>\$ 0.60</u>	<u>\$ 0.27</u>
Diluted	<u>\$ 0.23</u>	<u>\$ (2.03)</u>	<u>\$ 0.59</u>	<u>\$ 0.27</u>
Net income (loss) per common share:				
Basic	<u>\$ 0.24</u>	<u>\$ (2.03)</u>	<u>\$ 0.58</u>	<u>\$ 0.15</u>
Diluted	<u>\$ 0.23</u>	<u>\$ (2.03)</u>	<u>\$ 0.57</u>	<u>\$ 0.15</u>

Operating income for the quarter ended December 31, 2016 was impacted by actuarial losses related to the remeasurement of our pension plan assets and liabilities. The actuarial losses included in pension expense recognized in the quarter ended December 31, 2016 decreased operating income by \$85 million, net income attributable to NCR by \$78 million, basic earnings per share from continuing operations by \$0.63, and diluted earnings per share from continuing operations by \$0.50.

Operating income for the quarter ended December 31, 2015 was impacted by actuarial losses related to the remeasurement of our pension plan assets and liabilities. The actuarial losses included in pension expense recognized in the quarter ended December 31, 2015 decreased operating income by \$29 million, net income attributable to NCR by \$18 million, basic earnings per share from continuing operations by \$0.11, and diluted earnings per share from continuing operations by \$0.11.

Net income per share in each quarter is computed using the weighted-average number of shares outstanding during that quarter while net income per share for the full year is computed using the weighted-average number of shares outstanding during the year. Thus, the sum of the four quarters' net income per share will not necessarily equal the full-year net income per share.

18. SUBSEQUENT EVENTS

Certain settlement activities occurred in January 2017 with respect to the Fox River matter. In early January 2017 the Wisconsin federal court approved a settlement under which five companies agreed to pay \$9 million to the LLC created by the 2014 Funding Agreement referenced in Note 10, "Commitments and Contingencies", or to the LLC designee; those funds will be applied to remediation expenses at the Fox River. The settlement also includes a release that eliminates litigation claims that those five

NCR Corporation
Notes to Consolidated Financial Statements-(Continued)

companies had advanced against the Company. The period for any appeals to challenge that settlement has expired, and the funds to be paid under it by the various companies either have been paid or are expected to be paid in the first quarter of 2017.

Additionally, on January 17, 2017, the United States and the State of Wisconsin lodged with the Wisconsin federal court a proposed Consent Decree (CD) that, if approved by the court, is expected to resolve all remaining claims against the Company with respect to the Fox River. The key components of the proposed CD settlement, which is a public document, include (1) the Company's commitment to complete the remediation of the Fox River, which is expected to be completed over 2017 and 2018; (2) the Company's conditional agreement to waive its contribution claims against the two remaining defendants in the case, GP and Glatfelter; (3) the Company's agreement not to appeal the trial court's decision on divisibility of harm; (4) the Governments' agreement to include in the settlement so-called "contribution protection" in the Company's favor as to GP's and Glatfelter's contribution claims against the Company, the effect of which will be to extinguish those claims; (5) the Governments' agreement not to pursue the Company for the Governments' past oversight costs; and (6) the Governments' agreement to exercise prosecutorial discretion in pursuing other parties for future oversight costs and long-term monitoring and maintenance, with the Company retaining so-called "backstop" liability in the event that the other parties fail to pay future oversight costs or perform long-term monitoring and maintenance. Additionally, although certain state law claims by GP and Glatfelter against the Company may not be affected directly by the CD, the CD provides that the Company's contribution claims against those two parties will revive if those parties attempt to assert any claims against the Company relating to the Fox River, including any state law claims. With respect to the Company's Fox River reserve, the Company's estimate of the further remediation costs associated with the CD, together with changes in or elimination of certain other components of the reserve that are occasioned by the CD, required an incremental addition to the Company's net reserve of \$14 million, which is reflected in the amounts contained in Note 10, "Commitments and Contingencies". That amount takes into account the expected contributions of the Company's former corporate parent and former affiliates and indemnitors, i.e., BAT, AT&T and Nokia.

In connection with the proposed CD settlement, the Wisconsin federal court stayed, or postponed, the trials that were scheduled to commence in April and May 2017 in the contribution and enforcement actions respectively. The proposed consent decree was submitted for mandatory public comment on January 23, 2017; the public comment period is expected to conclude in February 2017. The United States reserves the right to withdraw or withhold its consent to the CD if the comments regarding the CD disclose facts or considerations that indicate that the CD is inappropriate, improper or inadequate. A court conference is scheduled for March 10 with respect to the Governments' expected motion to approve the consent decree; the motion is expected to be filed thereafter, and the court's decision on the consent decree is expected at a later time. The Company has agreed to perform the remediation obligations set forth in the consent decree during the public comment period and while the motion for approval is pending.

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

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

NCR has established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act)) to ensure that information required to be disclosed by NCR in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by NCR in the reports that it files or submits under the Exchange Act is accumulated and communicated to NCR's management, including its Chief Executive and Chief Financial Officers, as appropriate to allow timely decisions regarding required disclosure. Based on their evaluation as of the end of the period covered by this Report, conducted under their supervision and with the participation of management, the Company's Chief Executive and Chief Financial Officers have concluded that NCR's disclosure controls and procedures are effective to meet such objectives and that NCR's disclosure controls and procedures adequately alert them on a timely basis to material information relating to the Company (including its consolidated subsidiaries) required to be included in NCR's Exchange Act filings.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

The Company’s management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2016. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the 2013 Internal Control-Integrated Framework. Based on our assessment, we determined that, as of December 31, 2016, the Company’s internal control over financial reporting was effective based on those criteria.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, has audited the effectiveness of the Company’s internal control over financial reporting as of December 31, 2016 as stated in their report which appears in Item 8 of this Report.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except as set forth in the following paragraphs of this Item 10, the information required by this Item 10 will be set forth under the headings “Election of Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance,” and “Committees of the Board” in the Definitive Proxy Statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal 2016 year, and is incorporated herein by reference. The information required by this Item 10 regarding our executive officers is set forth under the heading “Executive Officers of the Registrant” in Part I of this Form 10-K and is incorporated herein by reference.

We have not materially changed the procedures by which stockholders may recommend nominees to the Company’s Board of Directors.

We have a Code of Conduct that sets the standard for ethics and compliance for all of our directors and employees, including our chief executive officer, our chief financial officer and our chief accounting officer. Our Code of Conduct is available on the Corporate Governance page at our website at <http://www.ncr.com/company/corporate-governance/code-of-conduct> under the heading “Code of Conduct.” We intend to disclose any amendments to or waivers of the Code of Conduct with respect to any director as well as our principal executive officer, principal financial officer, and principal accounting officer, on the Corporate Governance page of our website promptly following the date of such amendment or waiver.

Item 11. EXECUTIVE COMPENSATION

The information required by this Item 11 will be set forth under the headings “Executive Compensation - Compensation Discussion & Analysis,” “Compensation and Human Resource Committee,” and “Board Compensation and Human Resource Committee Report on Executive Compensation” in the Definitive Proxy Statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal 2016 year, and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIPS OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 will be set forth under the headings “NCR Stock Ownership” and “Equity Compensation Plan Information” in the Definitive Proxy Statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal 2016 year, and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item 13 will be set forth under the headings “Related Person Transactions” and “Corporate Governance” in the Definitive Proxy Statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal 2016 year, and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 will be set forth under the heading “Fees Paid to Independent Registered Public Accounting Firm” in the Definitive Proxy Statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our fiscal 2016 year, and is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a)(1) *Financial Statements*: The following is an index of the consolidated financial statements of the Company and the Report of Independent Registered Public Accounting Firm filed as part of this Form 10-K:

	Page of Form 10-K
Report of Independent Registered Public Accounting Firm	44
Consolidated Statements of Operations for the years ended December 31, 2016, 2015, and 2014	45
Consolidated Statements of Comprehensive Income Operations for the years ended December 31, 2016, 2015, and 2014	46
Consolidated Balance Sheets at December 31, 2016 and 2015	47
Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015, and 2014	48
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2016, 2015, and 2014	49
Notes to Consolidated Financial Statements	50

(2) *Financial Statement Schedule*: Financial Statement Schedule II—Valuation and Qualifying Accounts is included in this Form 10-K. All other schedules are not required under the related instructions or are not applicable.

(3) *Exhibits*: See Index of Exhibits below for a listing of all exhibits to this Form 10-K. The management contracts and compensatory plans or arrangements required to be filed as an exhibit to this Form 10-K are identified in the Index of Exhibits by an asterisk (*).

(b) The following is an index of all exhibits to this Form 10-K. Exhibits identified in parentheses in the index below, on file with the SEC, are incorporated herein by reference as exhibits hereto.

- 2.1 Separation and Distribution Agreement, dated as of August 27, 2007, between NCR Corporation and Teradata Corporation (Exhibit 10.1 to the Current Report on Form 8-K of Teradata Corporation dated September 6, 2007).
- 3.1 Articles of Amendment and Restatement of NCR Corporation (Exhibit 3.1 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 2016).
- 3.2 Bylaws of NCR Corporation, as amended and restated on October 11, 2016 (Exhibit 3.2 to the Current Report on Form 8-K of NCR Corporation dated October 11, 2016).
- 4.1 Common Stock Certificate of NCR Corporation (Exhibit 4.1 to the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 1999).
- 4.2 Indenture, dated September 17, 2012, among NCR Corporation, as issuer, NCR International Inc. and Radiant Systems Inc. as subsidiary guarantors and U.S. Bank National Association, as trustee (Exhibit 4.01 to the Current Report on Form 8-K of NCR Corporation dated September 17, 2012).
- 4.3 Indenture, dated December 18, 2012, among NCR Corporation, as issuer, NCR International Inc. and Radiant Systems Inc. as subsidiary guarantors and U.S. Bank National Association, as trustee (Exhibit 4.01 to the Current Report on Form 8-K of NCR Corporation dated December 18, 2012).
- 4.4 Indenture, dated December 19, 2013, between NCR Escrow Corp. and U.S. Bank National Association relating to the \$400 million aggregate principal amount of 5.875% senior notes due 2021 (the “5.875% Notes”) (Exhibit 4.1 to the Current Report on Form 8-K of NCR Corporation dated December 19, 2013 (the “December 19, 2013 Form 8-K”)).

- 4.4.1 First Supplemental Indenture relating to the 5.875% Notes, dated January 10, 2014, among NCR Corporation, NCR International, Inc. and U.S. Bank National Association, as trustee (Exhibit 4.1 to the Current Report of NCR Corporation dated January 10, 2014 (the “January 10, 2014 Form 8-K”).
- 4.5 Indenture, dated December 19, 2013, between NCR Escrow Corp. and U.S. Bank National Association relating to the \$700 million aggregate principal amount of 6.375% senior notes due 2023 (the “6.375% Notes”) (Exhibit 4.2 to the December 19, 2013 Form 8-K).
- 4.5.1 First Supplemental Indenture relating to the 6.375% Notes, dated January 10, 2014, among NCR Corporation, NCR International, Inc. and U.S. Bank National Association, as trustee (Exhibit 4.2 to the January 10, 2014 Form 8-K).
- 10.1 Separation and Distribution Agreement, dated as of February 1, 1996, and amended and restated as of March 29, 1996, by and among NCR Corporation, AT&T Corp. and Lucent Technologies Inc. (Exhibit 10.1 to Amendment No. 3 to the Lucent Technologies Inc. Registration Statement on Form S-1 (No. 333-00703) (the “Lucent Registration Statement Amendment No. 3”).
- 10.2 Employee Benefits Agreement, dated as of November 20, 1996, by and between AT&T Corp. and NCR Corporation (Exhibit 10.2 to the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 1996 (the “1996 Annual Report”).
- 10.3 Patent License Agreement, effective as of March 29, 1996, by and among AT&T Corp., NCR Corporation, and Lucent Technologies Inc. (Exhibit 10.7 to Amendment No. 4 to the Lucent Technologies Inc. Registration Statement on Form S-1 (No. 333-0073) (the “Lucent Registration Statement Amendment No. 4”).
- 10.4 Amended and Restated Technology License Agreement, effective as of March 29, 1996, by and among AT&T Corp., NCR Corporation, and Lucent Technologies Inc. (Exhibit 10.8 to the Lucent Registration Statement Amendment No. 4).
- 10.5 Tax Sharing Agreement, dated as of February 1, 1996, and amended and restated as of March 29, 1996, by and among AT&T Corp., NCR Corporation, and Lucent Technologies Inc. (Exhibit 10.6 to the Lucent Registration Statement Amendment No. 3).
- 10.6 Tax Sharing Agreement, dated as of September 21, 2007, between NCR Corporation and Teradata Corporation (Exhibit 10.1 to the Current Report on Form 8-K of NCR Corporation dated September 21, 2007).
- 10.7 NCR Management Stock Plan (Exhibit 10.8 to the 1996 Annual Report). *
- 10.7.1 First Amendment to the NCR Management Stock Plan dated April 30, 2003 (Exhibit 10.4 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 2003). *
- 10.7.2 Amendment to NCR Management Stock Plan effective as of December 31, 2008 (Exhibit 10.17.2 to the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 2008 (the “2008 Annual Report”). *
- 10.7.3 Form of Stock Option Agreement under the NCR Management Stock Plan (Exhibit 10.6.3 to the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 2005 (the “2005 Annual Report”). *
- 10.7.4 Form of Restricted Stock Agreement under the NCR Management Stock Plan (Exhibit 10.6.4 to the 2005 Annual Report). *
- 10.8 NCR Corporation 2011 Amended and Restated Stock Incentive Plan (formerly the NCR 2006 Stock Incentive Plan, as amended and restated effective as of December 31, 2008) (the “2011 Stock Incentive Plan”) (Exhibit 10.1 to the Current Report on Form 8-K of NCR Corporation dated April 27, 2011). *
- 10.8.1 Form of 2009 Stock Option Agreement under the NCR Corporation 2011 Stock Incentive Plan (Exhibit 10.5 to the Current Report on Form 8-K of NCR Corporation dated December 12, 2008). *

- 10.8.2 Form of 2010 Stock Option Agreement under the 2011 Stock Incentive Plan (Exhibit 10.2 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (the "First Quarter 2010 Quarterly Report")).*
- 10.8.3 Form of 2011 Stock Option Agreement under the 2011 Stock Incentive Plan (Exhibit 10.1 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 2011). *
- 10.9 Amended and Restated NCR Management Incentive Plan (Exhibit 10.1 to the Current Report on Form 8-K of NCR Corporation dated April 27, 2011). *
- 10.10 NCR Director Compensation Program effective April 21, 2009 (Exhibit 10.7 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 (the "First Quarter 2009 Form 10-Q")). *
- 10.10.1 2009 Director Option Grant Statement under the NCR Director Compensation Program (Exhibit 10.8 to the First Quarter 2009 Form 10-Q). *
- 10.10.2 2009 Director Restricted Stock Unit Grant Statement under the NCR Director Compensation Program (Exhibit 10.9 to the First Quarter 2009 Form 10-Q). *
- 10.11 Amended and Restated NCR Change in Control Severance Plan effective December 31, 2008 (Exhibit 10.24.2 to the 2008 Annual Report). *
- 10.11.1 First Amendment to the Amended and Restated NCR Change in Control Severance Plan (Exhibit 10.6 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2011). *
- 10.12 Employment Agreement with William Nuti, dated July 29, 2005 (Exhibit 10.1 to the Current Report on Form 8-K of NCR Corporation dated July 27, 2005). *
- 10.12.1 Letter Agreement, dated July 26, 2006, with William Nuti (Exhibit 10.4 to the Current Report on Form 8-K of NCR Corporation dated July 25, 2006). *
- 10.12.2 Second Amendment, effective as of December 12, 2008, to Letter Agreement with William Nuti dated July 29, 2005, as amended July 26, 2006 (Exhibit 10.30.2 to the 2008 Annual Report). *
- 10.12.3 Letter Agreement, dated March 11, 2015, between NCR Corporation and William Nuti (Exhibit 10.5 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 (the "First Quarter 2015 Quarterly Report")).*
- 10.13 NCR Director Compensation Program Effective April 27, 2010 (Exhibit 10.1 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (the "Second Quarter 2010 Quarterly Report")). *
- 10.13.1 Form of 2010 Director Option Grant Statement (Exhibit 10.2 to the Second Quarter 2010 Quarterly Report). *
- 10.13.2 Form of 2010 Director Restricted Stock Unit Grant Statement (Exhibit 10.3 to the Second Quarter 2010 Quarterly Report). *
- 10.14 Letter Agreement with Robert Fishman dated March 17, 2010 (Exhibit 10.7 to the First Quarter 2010 Quarterly Report). *
- 10.15 NCR Corporation 2011 Economic Profit Plan (Exhibit 10.3 to the Current Report on Form 8-K of NCR Corporation dated April 27, 2011). *
- 10.15.1 First Amendment to NCR Corporation 2011 Economic Profit Plan (Exhibit 10.29.1 to the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 2011). *

- 10.15.2 Second Amendment to NCR Corporation 2011 Economic Profit Plan, dated January 25, 2012 (Exhibit 10.1 to the First Quarter 2012 Quarterly Report).
- 10.15.3 Third Amendment to NCR Corporation 2011 Economic Profit Plan (Exhibit 10.1 to the Current Report on Form 8-K of NCR Corporation dated October 1, 2013). *
- 10.15.4 Fourth Amendment to NCR Corporation 2011 Economic Profit Plan (Exhibit 10.18.4 to the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 2014 (the "2014 Annual Report")). *
- 10.15.5 Amended and Restated NCR Corporation Economic Profit Plan (Exhibit 10.2 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 (the "Second Quarter 2015 Quarterly Report")).*
- 10.16 Equity Subscription Agreement, dated July 26, 2011, among NCR Corporation, Scopus Industrial S.A., Scopus Tecnologia Ltda. and NCR Brasil - Indústria de Equipamentos Para Automação Ltda., including Schedule I - The form of Shareholders' Agreement (Exhibit 10.1 to the Current Report on Form 8-K of NCR Corporation dated July 26, 2011).
- 10.17 Credit Agreement, dated as of August 22, 2011, by and among NCR Corporation, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (Exhibit 10.1 to the Current Report on Form 8-K of NCR Corporation dated August 22, 2011 (the "August 22, 2011 Form 8-K")).
- 10.18 Guarantee and Pledge Agreement, dated as of August 22, 2011, by and among NCR Corporation, the subsidiaries of NCR Corporation identified therein and JPMorgan Chase Bank, N.A., as Administrative Agent (Exhibit 10.1 to the August 22, 2011 Form 8-K).
- 10.19 Incremental Facility Agreement, dated as of August 22, 2012, by and among NCR Corporation, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (Exhibit 10.1 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 (the "Third Quarter 2012 Quarterly Report"))).
- 10.20 Reaffirmation Agreement, dated as of August 22, 2012, by and among NCR Corporation, the subsidiaries of NCR Corporation identified therein, and JPMorgan Chase Bank, N.A., as Administrative Agent (Exhibit 10.2 to the Third Quarter 2012 Quarterly Report).
- 10.21 Second Amendment, dated as of August 22, 2012, by and among NCR Corporation, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, relating to the Credit Agreement, dated as of August 22, 2011 and amended as of December 21, 2011, by and among NCR Corporation, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (Exhibit 10.3 to the Third Quarter 2012 Quarterly Report).
- 10.22 NCR Corporation 2013 Stock Incentive Plan (the "2013 Stock Incentive Plan") (Appendix A to the NCR Corporation Proxy Statement on Schedule 14A for the NCR Corporation 2013 Annual Meeting of Stockholders). *
- 10.22.1 Form of 2013 Performance-Based Restricted Stock Unit Agreement under the 2011 Stock Incentive Plan and the 2013 Stock Incentive Plan (Exhibit 10.3 to the First Quarter 2013 Quarterly Report). *
- 10.22.2 Form of 2014 Performance Based Restricted Stock Unit Award Agreement under the 2013 Stock Incentive Plan (Exhibit 10.1 to the Quarterly Report on Form 10-Q of NCR Corporation for the quarter ended March 31, 2014 (the "First Quarter 2014 Quarterly Report")). *
- 10.22.3 Form of 2014 Time Based Restricted Stock Unit Award Agreement under the 2013 Stock Incentive Plan (Exhibit 10.2 to the First Quarter 2014 Quarterly Report). *
- 10.22.4 Form of 2014 Single-Metric Performance Based Restricted Stock Unit Award Agreement under the 2013 Stock Incentive Plan (Exhibit 10.3 to the First Quarter 2014 Quarterly Report). *
- 10.22.5 Form of 2015 Performance Based Restricted Stock Unit Award Agreement under the 2013 Stock Incentive Plan (Exhibit 10.1 to the First Quarter 2015 Quarterly Report).*

- 10.22.6 Form of 2015 Time Based Restricted Stock Unit Award Agreement under the 2013 Stock Incentive Plan (Exhibit 10.2 to the First Quarter 2015 Quarterly Report).*
- 10.22.7 Form of 2015 Single-Metric Performance-Based Restricted Stock Unit Award Agreement under the 2013 Stock Incentive Plan (Exhibit 10.3 to the First Quarter 2015 Quarterly Report).*
- 10.22.8 Form of 2015 Stock Option Award Agreement under the 2013 Stock Incentive Plan (Exhibit 10.4 to the First Quarter 2015 Quarterly Report).*
- 10.22.9 Form of 2016 Time Based Restricted Stock Unit Award Agreement under the 2013 Stock Incentive Plan (Exhibit 10.1 to the Quarterly Report on Form 10-Q of NCR Corporation for the quarter ended March 31, 2016 (the “First Quarter 2016 Quarterly Report”)). *
- 10.22.10 Form of 2016 Performance Based Restricted Stock Unit Award Agreement under the 2013 Stock Incentive Plan (Exhibit 10.2 to the First Quarter 2016 Quarterly Report). *
- 10.22.11 Form of 2016 Single-Metric Performance Based Restricted Stock Unit Award Agreement under the 2013 Stock Incentive Plan (Exhibit 10.3 to the First Quarter 2016 Quarterly Report). *
- 10.22.12 Form of 2016 Stock Option Award Agreement under the 2013 Stock Incentive Plan (Exhibit 10.4 to the First Quarter 2016 Quarterly Report). *
- 10.22.13 Form of Vision 2020 Award (for Awardees Other than the Chief Executive Officer): 2016 Price-Contingent Restricted Stock Unit Agreement - \$35 Price Target - under the 2013 Stock Incentive Plan (Exhibit 10.5 to the First Quarter 2016 Quarterly Report). *
- 10.22.14 Form of Vision 2020 Award (for Awardees Other than the Chief Executive Officer): 2016 Price-Contingent Restricted Stock Unit Agreement - \$40 Price Target - under the 2013 Stock Incentive Plan (Exhibit 10.6 to the First Quarter 2016 Quarterly Report). *
- 10.23 Third Amendment, dated as of February 5, 2013, by and among NCR Corporation, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, relating to the Credit Agreement, dated as of August 22, 2011, as amended and restated as of August 22, 2012, by and among NCR Corporation, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (Exhibit 10.1 to the First Quarter 2013 Quarterly Report).
- 10.24 Credit Agreement, dated as of August 22, 2011, as amended and restated as of July 25, 2013, by and among NCR Corporation, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (Exhibit 10.1 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 (the “Third Quarter 2013 Quarterly Report”)).
- 10.25 Reaffirmation Agreement, dated as of July 25, 2013, by and among NCR Corporation, the subsidiaries of NCR Corporation identified therein, and JPMorgan Chase Bank, N.A., as Administrative Agent (Exhibit 10.2 to the Third Quarter 2013 Quarterly Report).
- 10.26 Agreement between NCR and the Trustees of the NCR Pension Plan (UK), dated November 14, 2013 (Exhibit 10.1 to the Current Report on Form 8-K of NCR Corporation dated November 14, 2013).
- 10.27 First Amendment, dated as of December 4, 2013, to the Credit Agreement, dated as of August 22, 2011, as amended and restated as of July 25, 2013, among NCR Corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as the administrative agent (Exhibit 10.1 to the Current Report on Form 8-K of NCR Corporation dated December 5, 2013 (the “December 5, 2013 Form 8-K”)).
- 10.28 Incremental Facility Agreement, dated as of December 4, 2013, among NCR Corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as the administrative agent (Exhibit 10.2 to the December 5, 2013 Form 8-K).

- 10.29 Receivables Financing Agreement, dated as of November 21, 2014, by and among NCR Receivables LLC, as borrower, NCR Corporation, as servicer, PNC Bank, National Association, as administrative agent, and PNC Bank, National Association, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, Victory Receivables Corporation and the other lender parties from time to time party thereto (Exhibit 10.1 to the Current Report on Form 8-K of NCR Corporation dated November 21, 2014 (the “November 21, 2014 Form 8-K”)).
- 10.30 Purchase and Sale Agreement, dated as of November 21, 2014, among NCR Receivables LLC, as buyer, and NCR Corporation and the other originator parties from time to time party thereto (Exhibit 10.2 to the November 21, 2014 Form 8-K).
- 10.31 NCR Executive Severance Plan (Exhibit 10.38 to the 2015 Annual Report). *
- 10.31.1 Amended and Restated NCR Executive Severance Plan (Exhibit 10.1 to the Second Quarter 2015 Quarterly Report).*
- 10.32 Letter Agreement with Andrew S. Heyman dated July 11, 2011 (Exhibit (d)(7) to the Schedule TO of Ranger Acquisition Corporation and NCR Corporation filed July 25, 2011 (the “Schedule TO”)). *
- 10.32.1 Retention Agreement with Andrew S. Heyman dated July 11, 2011 (Exhibit (d)(6) to the Schedule TO). *
- 10.33 Employment Letter of Frederick Marquardt dated April 4, 2014 (as amended May 1, 2014). (Exhibit 10.40 to the 2014 Annual Report). *
- 10.34 Employment Contract, dated June 23, 2014, between NCR GmbH and Michael Bayer (Exhibit 10.41 to the 2014 Annual Report). *
- 10.34.1 Letter regarding additional terms of employment of Michael Bayer, dated June 23, 2014 (Exhibit 10.41.1 to the 2014 Annual Report). *
- 10.34.2 Employment Transfer Letter (revised) of Michael Bayer, dated July 30, 2015 (Exhibit 10.4 to the Second Quarter 2015 Quarterly Report).*
- 10.35 NCR Director Compensation Program effective April 23, 2013, as amended effective February 24, 2014 (Exhibit 10.42 to the 2014 Annual Report). *
- 10.35.1 2014 Director Restricted Stock Unit Grant Statement under the NCR Director Compensation Program (Exhibit 10.42.1 to the 2014 Annual Report). *
- 10.35.2 2015 Director Restricted Stock Unit Grant Statement under the NCR Director Compensation Program (Exhibit 10.3 to the Second Quarter 2015 Quarterly Report).*
- 10.35.3 2016 Director Restricted Stock Unit Grant Statement under the NCR Director Compensation Program (Exhibit 10.2 to the Quarterly Report on Form 10-Q of NCR Corporation for the quarter ended June 30, 2016 (the “Second Quarter 2016 Quarterly Report”)). *
- 10.36 Agreement by and among NCR Corporation, Marcato Capital Management LP, Marcato, L.P., Marcato II, L.P., Marcato International Master Fund, Ltd. and Richard T. McGuire III, dated November 10, 2014 (Exhibit 99.1 to the Current Report on Form 8-K of NCR Corporation dated November 10, 2014 (the “November 10, 2014 Form 8-K”)).
- 10.37 Confidentiality Agreement by and among NCR Corporation, Marcato Capital Management LP, Marcato, L.P., Marcato II, L.P., Marcato International Master Fund, Ltd. and Richard T. McGuire III, dated November 10, 2014 (Exhibit 99.2 to the November 10, 2014 Form 8-K).
- 10.38 Extension Agreement by and among NCR Corporation, Marcato Capital Management LP, Marcato, L.P., Marcato II, L.P., Marcato International Master Fund, Ltd. and Richard T. McGuire, dated November 3, 2015 (Exhibit 99.1 to the Current Report on Form 8-K of NCR Corporation dated November 3, 2015).

- 10.39 Investment Agreement dated as of November 11, 2015, by and between NCR Corporation and the affiliates of Blackstone Capital Partners VI, L.P. and Blackstone Tactical Opportunities L.L.C. named therein (Exhibit 10.1 to the Current Report on Form 8-K of NCR Corporation dated November 11, 2015).
- 10.40 Third Amendment dated as of November 20, 2015, to the Credit Agreement dated as of August 22, 2011, as amended and restated as of July 25, 2013, as amended by the First Amendment, dated as of December 4, 2013, and the Second Amendment, dated as of July 29, 2014, among NCR Corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as the administrative agent (Exhibit 10.1 to the Current Report on Form 8-K of NCR Corporation dated November 20, 2015).
- 10.41 Registration Rights Agreement, dated as of December 4, 2015, by and between NCR Corporation and the affiliates of Blackstone Capital Partners VI, L.P. and Blackstone Tactical Opportunities L.L.C. named therein (Exhibit 10.1 to the December 2, 2015 Form 8-K).
- 10.42 NCR Employee Stock Purchase Plan, as amended and restated effective January 1, 2017 (Appendix A to the NCR Corporation Proxy Statement on Schedule 14A for the NCR Corporation 2016 Annual Meeting of Stockholders). *
- 10.43 Credit Agreement, dated as of August 22, 2011, as amended and restated as of July 25, 2013, as further amended and restated as of March 31, 2016, by and among NCR Corporation, the Foreign Borrowers party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (Exhibit 10.1 to the Current Report on Form 8-K of NCR Corporation dated April 4, 2016 (the "April 4, 2016 Form 8-K"))).
- 10.43.1 Amended and Restated Guarantee and Collateral Agreement, dated as of August 22, 2011, as amended and restated as of January 6, 2014, as further amended and restated as of March 31, 2016, by and among NCR Corporation, the Foreign Borrowers party thereto, the subsidiaries of NCR Corporation identified therein and JPMorgan Chase Bank, N.A., as Administrative Agent (Exhibit 10.2 to the April 4, 2016 Form 8-K).
- 10.43.2 Annex A to Credit Agreement dated as of August 22, 2011, as amended and restated as of July 25, 2013, as further amended and restated as of March 31, 2016, among NCR Corporation, the Foreign Borrowers party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A. (Exhibit 10.1 to the Second Quarter 2016 Quarterly Report).
- 10.44 Employment Contract, dated September 15, 2016, between NCR Corporation and Mark D. Benjamin (Exhibit 10.1 to the Quarterly Report on Form 10-Q of NCR Corporation for the quarter ended September 30, 2016). *
- 10.45 First Amendment to Receivables Financing Agreement, dated as of November 21, 2016, by and among NCR Receivables LLC, as borrower, NCR Corporation, as servicer, PNC Bank, National Association, as administrative agent, and PNC Bank, National Association, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, Victory Receivables Corporation and the other lender parties from time to time party thereto (Exhibit 10.1 to the Current Report on Form 8-K of NCR Corporation dated November 23, 2016).
- 12.1 Statement Regarding Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.
- 21 Subsidiaries of NCR Corporation.
- 23.1 Consent of Independent Registered Public Accounting Firm.
- 31.1 Certification pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934.
- 31.2 Certification pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934.
- 32 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.1	Tax Opinion of Wachtell, Lipton, Rosen & Katz in connection with the Spin off of Teradata, dated August 27, 2007 (Exhibit 99.2 to the Current Report on Form 8-K of NCR Corporation dated September 30, 2007).
101	Financials in XBRL Format.

* Management contracts or compensatory plans/arrangements

Item 16. FORM 10-K SUMMARY

None.

NCR Corporation

**SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
(In millions)**

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>		<u>Column D</u>	<u>Column E</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions</u>		<u>Deductions</u>	<u>Balance at End of Period</u>
		<u>Charged to Costs & Expenses</u>	<u>Charged to Other Accounts</u>		
Year Ended December 31, 2016					
Allowance for doubtful accounts	\$47	\$9	\$—	\$15	\$41
Deferred tax asset valuation allowance	\$346	\$—	\$99	\$—	\$445
Year Ended December 31, 2015					
Allowance for doubtful accounts	\$19	\$32	\$—	\$4	\$47
Deferred tax asset valuation allowance	\$294	\$—	\$52	\$—	\$346
Year Ended December 31, 2014					
Allowance for doubtful accounts	\$18	\$10	\$—	\$9	\$19
Deferred tax asset valuation allowance	\$364	\$—	\$—	\$70	\$294

CERTIFICATION

I, William Nuti, certify that:

1. I have reviewed this Annual Report on Form 10-K of NCR Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2017

/s/ William Nuti

William Nuti

Chairman of the Board and Chief Executive Officer

CERTIFICATION

I, Robert Fishman, certify that:

1. I have reviewed this Annual Report on Form 10-K of NCR Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2017

/s/ Robert Fishman

Robert Fishman

Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of NCR Corporation, a Maryland corporation (the “Company”) for the period ending December 31, 2016 as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company does hereby certify, pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002), that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

The foregoing certification (i) is given to such officers’ knowledge, based upon such officers’ investigation as such officers reasonably deem appropriate; and (ii) is being furnished solely pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002) and is not being filed as part of the Report or as a separate disclosure document.

Dated: February 24, 2017

/s/ William Nuti

William Nuti
Chairman of the Board and Chief Executive Officer

Dated: February 24, 2017

/s/ Robert Fishman

Robert Fishman
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to NCR Corporation and will be retained by NCR Corporation and furnished to the United States Securities and Exchange Commission or its staff upon request.

NCR Corporation
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(in millions)

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Earnings					
Income (loss) before income taxes, non-controlling interest, discontinued operations ⁽¹⁾	\$ 379	\$ (95)	\$ 137	\$ 554	\$ 698
Fixed charges	214	222	224	142	76
Non-controlling interest in pre-tax income of subsidiaries that have not incurred fixed charges	(4)	(4)	(4)	(4)	(2)
Adjusted earnings	\$ 589	\$ 123	\$ 357	\$ 692	\$ 772
Fixed charges					
Interest expense	\$ 170	\$ 173	\$ 181	\$ 103	\$ 42
Portion of rental expense representative of the interest factor ⁽²⁾	44	49	43	39	34
Fixed charges added to earnings	\$ 214	\$ 222	\$ 224	\$ 142	\$ 76
Ratio of earnings to fixed charges	2.75	N/A*	1.59	4.87	10.16
Preferred stock dividends and preferred stock accretion	49	4	—	—	—
Ratio of earnings before provision for income taxes to earnings from continuing operations ⁽³⁾	1.32	1.00	—	—	—
Preferred stock dividend factor	65	4	—	—	—
Fixed charges and preferred stock dividends	\$ 279	\$ 226	\$ 224	\$ 142	\$ 76
Ratio of earnings to fixed charges and preferred stock dividends	2.11	N/A**	1.59	4.87	10.16

* For the year ended December 31, 2015, the ratio of earnings to fixed charges coverage is less than 1:1. We would have needed to generate additional earnings of \$99 million to achieve a coverage of 1:1 in the year ended December 31, 2015.

** For the year ended December 31, 2015, the ratio of earnings to fixed charges and preferred stock dividends coverage is less than 1:1. We would have needed to generate additional earnings of \$103 million to achieve a coverage of 1:1 in the year ended December 31, 2015.

⁽¹⁾ The preferred stock dividends are included in fixed charges (i.e. the denominator of the ratio calculation) but excluded from the numerator of the ratio calculation as such amount was not deducted in arriving at the pre-tax income (loss) from continuing operations, as defined.

⁽²⁾ Interest portion of rental expense is estimated to equal 1/3 of such expense, which is considered a reasonable approximation of the interest factor.

⁽³⁾ For the year ended December 31, 2015, given the tax expense on income before income taxes, non-controlling interest, and discontinued operations, the ratio of earnings before provision for income taxes to earnings from continuing operations was less than 1. As such, there was no gross up adjustment for the preferred stock dividends and preferred stock accretion.