

NCR announces second-quarter results

July 22, 2010

Q2 2010 operational results above expectations; GAAP EPS from continuing operations of \$0.12 per diluted share; non-GAAP EPS(1) from continuing operations of \$0.35 per diluted share

- **Orders increased 9% year over year**
- **Cash provided by operating activities of \$87 million; free cash flow(3) of \$42 million, inclusive of the continuing investment in the entertainment industry**
- **Company announces Intelligent Deposit ATM rollout at large U.S. regional bank**
- **NCR reaffirms full year 2010 revenue and non-GAAP guidance**

DULUTH, Georgia – NCR Corporation (NYSE: NCR) reported financial results today for the three months ended June 30, 2010. Reported revenue of \$1.18 billion increased 5 percent from the second quarter of 2009 and included approximately 1 percentage point of benefit from foreign currency translation.

NCR reported second-quarter income from continuing operations (attributable to NCR) of \$20 million, or \$0.12 per diluted share, compared to income from continuing operations (attributable to NCR) of \$20 million, or \$0.13 per diluted share, in the second quarter of 2009. Income from continuing operations in the second quarter of 2010 included \$50 million of pension expense (\$33 million or \$0.20 per diluted share, after-tax) and \$7 million (\$4 million or \$0.03 per diluted share, after-tax) of incremental costs related to the relocation of the Company's global headquarters. Income from continuing operations for the second quarter of 2009 included \$39 million of pension expense (\$29 million or \$0.18 per diluted share, after-tax). Excluding these items, non-GAAP income from continuing operations(1) in the second quarter of 2010 was \$0.35 per diluted share compared to \$0.31 in the prior year period.

"I am proud of how the NCR team executed in the second quarter and first half of 2010. While global economic conditions continue to appear sluggish, NCR posted good results in the second quarter," said Bill Nuti, chairman and chief executive officer. "Second quarter orders, revenue and non-pension operating income growth, coupled with improving margins and continued productivity gains give us increased confidence in 2010. Going forward, our focus will continue to be on maintaining order and revenue momentum, which, when combined with the increasing benefits from our longer term cost improvement program, position NCR for sustainable, profitable growth."

Second-Quarter 2010 Highlights

Financial highlights –In the Europe/Middle East/Africa (EMEA) region, revenue grew 10 percent from the second quarter of 2009. The growth was due to a higher volume of product

sales to customers in the financial services, retail and hospitality industries. Growth in the EMEA region was negatively impacted 4 percent due to foreign currency translation.

The 3 percent revenue increase in the Asia-Pacific-Japan (APJ) region, compared to the year-ago period, was due to increased product sales in the retail industry in Japan and higher services revenue in the retail and financial industries across the region. These increases were offset by declines in product sales in the financial services industry across the region. Foreign currency translation positively impacted APJ revenues by 6 percent.

Revenue increased 2 percent in the Americas region over the prior year period due to growth in the entertainment industry and increased volume of product sales in the retail industry, which were partially offset by lower volumes of products and services to customers in the financial services industry. Foreign currency translation positively impacted revenues by 2 percent.

Income from operations was \$31 million in the second quarter of 2010, which included \$50 million of pension expense and \$7 million of incremental costs directly related to the Company's headquarters relocation. This compares to \$39 million in income from operations in the second quarter of 2009, which included \$39 million of pension expense. Excluding these items, non-GAAP income from operations⁽²⁾ was \$88 million in the second quarter of 2010 compared to \$78 million in the second quarter of 2009, reflecting year-over-year growth of 13 percent.

NCR generated \$87 million of cash from operating activities during the second quarter of 2010 compared to \$52 million in the year-ago period. Net capital expenditures increased to \$53 million in the second quarter of 2010 from \$36 million in the year-ago period, primarily due to investments in the entertainment business. As further outlined below, discontinued operations yielded \$8 million of positive cash flow in Q2 2010 versus \$25 million of cash used in Q2 2009. NCR generated free cash flow (cash from operations and discontinued operations related to the Fox River environmental matter less capital expenditures and additions to capitalized software)⁽³⁾ of \$42 million in the second quarter of 2010, compared to negative free cash flow of \$9 million in the second quarter of 2009.

During the second quarter, the Company revised its presentation of costs and insurance recoveries related to certain environmental obligations, including the Fox River matter, and now classifies those items as discontinued operations in the Condensed Consolidated Statement of Operations and Condensed Consolidated Statement of Cash Flows. Such costs and insurance recoveries were previously classified in Other (Income) Expense in the Condensed Consolidated Statement of Operations, and within Cash Flow from Operating Activities in the Condensed Consolidated Statement of Cash Flows. The revised presentation has been applied for similar items in all periods presented. During the second quarter of

2010, NCR settled Fox River related insurance claims with several carriers, resulting in income from discontinued operations of \$11 million, net of tax. The \$8 million of net cash provided by discontinued operations in the second quarter of 2010 was due to the receipt of proceeds from insurance companies, partially offset by payments made related to the ongoing remediation activities. During the second quarter of 2009, NCR settled a Fox River related insurance claim and recognized income from discontinued operations of \$3 million, net of tax. The \$25 million of net cash used in discontinued operations in the second quarter of 2009 was due to payments made related to ongoing remediation activities, partially offset by insurance proceeds received.

NCR had income tax expense of \$11 million in the second quarter of 2010 compared to \$13 million of income tax expense in the second quarter of 2009. NCR expects its full year 2010 effective income tax rate to be 27 percent.

NCR ended the quarter with \$447 million in cash and cash equivalents, a \$39 million increase from the \$408 million balance as of March 31, 2010. As of June 30, 2010, NCR had a debt balance of \$10 million.

NCR contributed approximately \$42 million to its international and executive pension benefit plans during the first six months of 2010 and expects to contribute approximately \$110 million in total during the full year. The Company's global pension plans were underfunded by approximately \$1.0 billion as of December 31, 2009.

Business highlights – The following are NCR's second quarter business highlights across industry offerings.

In the financial business, NCR secured a rollout of its Intelligent Deposit offering at a large regional U.S. bank. The agreement will result in the replacement of several hundred ATM units with NCR's SelfServ™ 32, 34, and 38 with APTRA Edge and APTRA Exchange software solutions.

BECU (Boeing Employees' Credit Union), one of the largest credit unions in the nation, became the first credit union to deploy NCR APTRA Vision, NCR's latest enterprise software solution for self-service system management. NCR APTRA Vision provides BECU with a comprehensive view of their ATM network by analyzing operational information, business performance and consumer experience. NCR also won a competitive bid to extend its e-commerce partnership with Old National Bank. Old National Bank will utilize NCR's Web Hosting Services and APTRA Online Banking solution to offer a secure and stable platform for convenient online banking services to its rapidly growing customer base.

NCR further enhanced its offerings for the retail market through the introduction of new innovative solutions and enhancements to existing market leading self-service technologies. NCR introduced the NCR NetKey Loyalty Kiosk, a loyalty and offer management solution that helps retailers extend the reach of frequent shopper programs quickly and consistently across multiple channels including storefront, online and via mobile device. NCR also released the latest installment of its NCR SelfServä Checkout software which delivers several new enhancements that will help retailers implement self-checkout solutions faster and lower the cost of managing them.

NCR won a Microsoft Windows Embedded OEM Partner Excellence Award for its innovation in enhancing consumer experiences and leveraging Windows embedded platforms and technologies to build new applications, such as the latest version of the NCR NetKey management software. The software is the first to bring together in-store digital advertising and self-service kiosks under a single platform, enabling companies to leverage rich multimedia content across digital signs and kiosks.

NCR further advanced its entertainment kiosk strategy during the second quarter through multiple notable customer wins in new and existing areas. NCR will deploy BLOCKBUSTER Expressä kiosks in more than 300 Kwik Trip convenience stores throughout Iowa, Minnesota, and Wisconsin, increasing availability in the Midwest region while strengthening its footprint in key markets including Chicago, Detroit and Indianapolis. NCR recently introduced its BLOCKBUSTER Expressä kiosks in Texas through the replacement of kiosks at 105 Tom Thumb and Randalls stores in Dallas, Houston, and Austin. NCR also further expanded its outdoor kiosk footprint in the Northeast through the addition of 80 Xtra Mart convenience store locations. NCR grew its kiosk footprint in the Southern U.S. through deployment at MAPCO Express, Inc. convenience stores in Tennessee and over 100 Daily's Convenience Stores in Tennessee and Kentucky.

In the travel sector, NCR introduced its enhanced NCR Hotel Solution, a self-service check-in solution that improves the guest experience. Designed to simplify check-in, the new Hotel Solution features a more user-friendly interface, fewer steps, faster processing time and enhanced messaging to better guide guests and improve their self-service experience. The Grand Beach Hotel, an all-suites luxury property in Miami Beach, implemented the NCR Hotel Solution with the goal of providing customers a self-service channel through which to print reservations, check-in for flights and print boarding passes.

NCR's self-service technologies captured market gains in the healthcare vertical as well. The Valley Health System, a subsidiary of Universal Health Services, Inc., implemented NCR MediKioskä at all five of its hospital locations in an effort to offer better patient experiences, drive increased efficiency, and improve revenue cycle management.

2010 Outlook

NCR expects full-year 2010 revenues to increase in the range of 2 to 5 percent on a constant currency basis compared with 2009. Including the continuing investment in its entertainment portfolio, the Company expects its full-year 2010 Income from Operations (GAAP) to be in the range of \$83 million to \$103 million, Non-pension operating income (NPOI)(2) to be in the range of \$310 million to \$330 million, GAAP diluted earnings per share to be in the range of \$0.36 to \$0.46, and non-GAAP diluted earnings per share excluding pension expense(1) to be in the range of \$1.35 to \$1.45 per diluted share. The 2010 non-GAAP EPS guidance excludes estimated pension expense of \$215 million (approximately \$151 million after-tax) compared to actual pension expense of \$159 million (\$108 million after-tax) in 2009. NCR expects its 2010 effective income tax rate to be approximately 27 percent for the full year.

	Current 2010 Guidance *	Prior 2010 Guidance	2009 Actual
Year-over-year revenue (constant currency)	<u>2% - 5%</u>	<u>2% - 5%</u>	<u>(12%)</u>
Income from Operations (GAAP)	<u>\$83 - \$103 million</u>	<u>\$90 - \$110 million</u>	<u>\$97 million</u>
Non-pension operating income(2)	<u>\$310 - \$330 million</u>	<u>\$310 - \$330 million</u>	<u>\$284 million</u>
Diluted earnings (loss) per share (GAAP)	<u>\$0.36 - \$0.46</u>	<u>\$0.39 - \$0.49</u>	<u>(\$0.21)</u>
Diluted earnings per share excluding pension expense (non-GAAP)(1)	<u>\$1.35 - \$1.45</u>	<u>\$1.35 - \$1.45</u>	<u>\$1.27</u>

**Note on Current 2010 Guidance: Guidance for full year 2010 non-pension operating income (non-GAAP) and diluted EPS excluding pension expense (non-GAAP) is unchanged from our prior guidance; guidance for full year 2010 GAAP Income from Operations and GAAP Diluted EPS decreased from prior guidance by \$7 million and \$0.03 per share,*

respectively, due to the \$7 million of world headquarters relocation costs incurred during the second quarter of 2010.

The Company expects Q3 2010 pension expense of \$50 million to \$55 million (approximately \$33 million to \$36 million after-tax) compared to actual pension expense of \$41 million (\$30 million after-tax) in the third quarter of 2009. Including the continuing investment in its entertainment portfolio, the Company expects third quarter 2010 non-pension operating income(2) to be in the range of \$75 million to \$85 million, compared to \$70 million in third quarter of 2009. NCR estimates its Q3 2010 effective income tax rate to be 20 to 25 percent.

2010 Second Quarter Earnings Conference Call

A conference call is scheduled today at 4:30 p.m. (EST) to discuss the company's 2010 second-quarter results and guidance for full-year 2010. Access to the conference call, as well as a replay of the call, is available on NCR's Web site at <http://investor.ncr.com/>.

About NCR Corporation

NCR Corporation (NYSE: NCR) is a global technology company leading how the world connects, interacts and transacts with business. NCR's assisted- and self-service solutions and comprehensive support services address the needs of retail, financial, travel, healthcare, hospitality, entertainment, gaming and public sector organizations in more than 100 countries. NCR (www.ncr.com) is headquartered in Duluth, Georgia.

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