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, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 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, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* 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.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for defined benefit pension plans effective January 1, 2013.

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 26, 2014

NCR Corporation
Consolidated Statements of Operations

For the years ended December 31 (in millions except per share amounts)	2013	2012	2011
Product revenue	$ 2,912	$ 2,854	$ 2,592
Service revenue	3,211	2,876	2,699
Total revenue	6,123	5,730	5,291
Cost of products	2,152	2,144	2,022
Cost of services	2,231	1,941	2,318
Selling, general and administrative expenses	871	742	890
Research and development expenses	203	155	209
Total operating expenses	5,457	4,982	5,439
Income (loss) from operations	666	748	(148)
Interest expense	(103)	(42)	(13)
Other (expense) income, net	(9)	(8)	(3)
Income (loss) from continuing operations before income taxes	554	698	(164)
Income tax expense (benefit)	98	223	(66)
Income (loss) from continuing operations	456	475	(98)
(Loss) income from discontinued operations, net of tax	(9)	6	(93)
Net income (loss)	447	481	(191)
Net income (loss) attributable to noncontrolling interests	4	—	(1)
Net income (loss) attributable to NCR	$ 443	$ 481	$ (190)
Amounts attributable to NCR common stockholders:			
Income (loss) from continuing operations	$ 452	$ 475	$ (97)
(Loss) income from discontinued operations, net of tax	(9)	6	(93)
Net income (loss)	$ 443	$ 481	$ (190)
Net income (loss) per share attributable to NCR common stockholders:			
Net income (loss) per common share from continuing operations			
Basic	$ 2.73	$ 2.98	$ (0.61)
Diluted	$ 2.67	$ 2.90	$ (0.61)
Net income (loss) per common share			
Basic	$ 2.68	$ 3.02	$ (1.20)
Diluted	$ 2.62	$ 2.94	$ (1.20)
Weighted average common shares outstanding			
Basic	165.4	159.3	158.0
Diluted	169.3	163.8	158.0

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)	2013	2012
Assets		
Current assets		
Cash and cash equivalents	$ 528	$ 1,069
Restricted cash	1,114	—
Accounts receivable, net	1,339	1,086
Inventories	790	797
Other current assets	568	454
Total current assets	4,339	3,406
Property, plant and equipment, net	352	308
Goodwill	1,534	1,003
Intangibles, net	494	304
Prepaid pension cost	478	368
Deferred income taxes	441	532
Other assets	470	448
Total assets	$ 8,108	$ 6,369
Liabilities and stockholders' equity		
Current liabilities		
Short-term borrowings	$ 34	$ 72
Accounts payable	670	611
Payroll and benefits liabilities	191	186
Deferred service revenue and customer deposits	525	455
Other current liabilities	461	418
Total current liabilities	1,881	1,742
Long-term debt	3,320	1,891
Pension and indemnity plan liabilities	532	805
Postretirement and postemployment benefits liabilities	169	246
Income tax accruals	189	138
Environmental liabilities	121	171
Other liabilities	99	79
Total liabilities	6,311	5,072
Commitments and Contingencies (Note 10)		
Redeemable noncontrolling interest	14	15
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, 2013 and 2012, respectively	—	—
Common stock: par value $0.01 per share, 500.0 shares authorized, 166.6 and 162.8 shares issued and outstanding as of December 31, 2013 and 2012, respectively	2	2
Paid-in capital	433	358
Retained earnings	1,372	929
Accumulated other comprehensive loss	(38)	(37)
Total NCR stockholders' equity	1,769	1,252
Noncontrolling interests in subsidiaries	14	30
Total stockholders' equity	1,783	1,282
Total liabilities and stockholders' equity	$ 8,108	$ 6,369

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

NCR Corporation
Notes to Consolidated Financial Statements—(Continued)

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 services 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 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.

For arrangements entered into or materially modified after January 1, 2011, 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 services and we use TPE to establish selling prices for our non-software related services, which include hardware maintenance, non-software related professional services, and transaction services. The Company uses BESP to allocate revenue when we are unable to establish VSOE or TPE of selling price. BESP is primarily used for 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.

For arrangements entered into prior to January 1, 2011, the Company has not applied BESP. In such arrangements, if the Company has the requisite evidence of selling price for the undelivered elements but not for the delivered elements, the Company applies the residual method to allocate arrangement consideration.

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.

NCR Corporation
Notes to Consolidated Financial Statements—(Continued)

For certain of NCR's long-term contracts, primarily related to the acquisition of Retalix, the Company utilizes a percentage-of-completion accounting method, which requires estimates of future revenues 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, 2013, 2012, and 2011, the revenue recognized from bill and hold transactions approximated 1% or less 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.

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

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.

Restricted Cash Restricted cash consists of deposits that are contractually restricted as to their withdrawal or use. Refer to Note 6, "Debt Obligations" for further discussion.

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 market, 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 reserves are established based on forecasted usage, orders, technological obsolescence and inventory aging.

Goodwill and Other Long-Lived Assets

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.

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

In millions	2013	2012	2011
Beginning balance as of January 1	**$ 142**	$ 118	$ 107
Capitalization	**110**	80	62
Amortization	**(59)**	(56)	(51)
Ending balance as of December 31	**$ 193**	$ 142	$ 118

NCR Corporation
Notes to Consolidated Financial Statements—(Continued)

Goodwill and Other Intangible Assets Goodwill represents the excess of purchase price over the value assigned to 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 first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount. If so, we perform a quantitative assessment and compare the fair value of the reporting unit to the carrying value. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is potentially impaired and we proceed to 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 primarily using the income approach, which incorporates the use of discounted cash flow (DCF) analyses. 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. Most of these assumptions vary among reporting units. The cash flow forecasts are generally based on approved strategic operating plans.

For the fourth quarter of 2013 and 2012, we performed our annual impairment assessment of goodwill which did not indicate that an impairment existed.

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 $68 million, $64 million, and $58 million for the years ended December 31, 2013, 2012, and 2011, respectively.

Valuation of Long-Lived Assets Long-lived assets such as property, plant and equipment, finite-lived intangible assets, and software 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.

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.

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.

Redeemable Noncontrolling Interests 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) for a subscription price of approximately $43 million. In the event NCR Manaus does not meet a defined financial performance goal during the five year period ending in 2016, Scopus may elect to put its noncontrolling interest to us for its then-current fair value.

Earnings Per Share Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the reported period. The calculation of diluted earnings per share is similar to basic earnings per share, except that the weighted average number of shares outstanding includes the dilution from potential shares resulting from stock options and restricted stock awards. When calculating diluted earnings per share, the Company includes the potential windfall or shortfall tax benefits as well as average unrecognized compensation expense as part of the assumed proceeds from exercises of stock options. The Company uses the tax law ordering approach to determine the potential utilization of windfall benefits. The holders of unvested restricted stock awards do not have nonforfeitable rights to dividends or dividend equivalents and therefore, such unvested awards do not qualify as participating securities. See Note 8, "Employee Stock Compensation Plans" for share information on NCR's stock compensation plans.

The components of basic and diluted earnings per share attributable to NCR common stockholders are as follows for the years ended December 31:

In millions, except per share amounts	2013	2012	2011
Income (loss) from continuing operations	$ 452	$ 475	$ (97)
(Loss) income from discontinued operations, net of tax	(9)	6	(93)
Net income (loss) attributable to NCR common stockholders	$ 443	$ 481	$ (190)
Weighted average outstanding shares of common stock	165.4	159.3	158.0
Dilutive effect of employee stock options and restricted stock	3.9	4.5	—
Diluted weighted average number of shares outstanding	169.3	163.8	158.0
Basic earnings (loss) per share:			
From continuing operations	$ 2.73	$ 2.98	$ (0.61)
From discontinued operations	(0.05)	0.04	(0.59)
Total basic earnings (loss) per share	$ 2.68	$ 3.02	$ (1.20)
Diluted earnings (loss) per share:			
From continuing operations	$ 2.67	$ 2.90	$ (0.61)
From discontinued operations	(0.05)	0.04	(0.59)
Total diluted earnings (loss) per share	$ 2.62	$ 2.94	$ (1.20)

For 2011, due to the net loss attributable to NCR common stockholders, potential common shares that would cause dilution, such as restricted stock 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, 2011, the fully diluted shares would have been 161.0 million shares.

NCR Corporation
Notes to Consolidated Financial Statements—(Continued)

3. SUPPLEMENTAL FINANCIAL INFORMATION (in millions)

For the years ended December 31	2013	2012	2011
Other (expense) income, net			
Interest income	$ 6	$ 6	$ 5
Impairment of an investment (Note 12)	—	(7)	—
Other, net	(15)	(7)	(8)
Total other (expense) income, net	$ (9)	$ (8)	$ (3)

At December 31	2013	2012
Accounts Receivable		
Trade	$ 1,318	$ 1,056
Other	39	46
Accounts Receivable, gross	1,357	1,102
Less: allowance for doubtful accounts	(18)	(16)
Total accounts receivable, net	$ 1,339	$ 1,086
Inventories		
Work in process and raw materials	$ 135	$ 187
Finished goods	202	167
Service parts	453	443
Total inventories	$ 790	$ 797
Other current assets		
Current deferred tax assets	$ 262	$ 223
Other	306	231
Total other current assets	$ 568	$ 454
Property, plant and equipment		
Land and improvements	$ 40	$ 42
Buildings and improvements	237	231
Machinery and other equipment	722	636
Property, plant and equipment, gross	999	909
Less: accumulated depreciation	(647)	(601)
Total property, plant and equipment, net	$ 352	$ 308

4. BUSINESS COMBINATIONS AND DIVESTITURES

2013 Acquisitions

Following is a brief description of the Company's noteworthy acquisitions completed during the 2013 fiscal year:

Acquisition of Retalix Ltd. On February 6, 2013, NCR completed the acquisition of Retalix Ltd. ("Retalix"), for which it paid an aggregate cash purchase price of $791 million which includes $3 million to be recognized as compensation expense within selling, general and administrative expenses over a period of approximately three years from the acquisition date. The purchase price was paid from the net proceeds of the December 2012 offer and sale of NCR's 4.625% senior unsecured notes and borrowings under NCR's senior secured credit facility. As a result of the acquisition, Retalix became an indirect wholly owned subsidiary of NCR. Retalix is a leading global provider of innovative retail software. The acquisition is consistent with NCR's continued transformation to a hardware-enabled, software-driven business. Retalix's strength with blue-chip retailers is highly complementary and provides additional sales opportunities across the combined installed base.

Recording of Assets Acquired and Liabilities Assumed

The fair value of consideration transferred to acquire Retalix 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 is final as of December 31, 2013.

The allocation of the purchase price for Retalix is as follows:

In millions	Fair Value
Cash and cash equivalents	$ 127
Accounts receivable	107
Other tangible assets	56
Acquired goodwill	461
Acquired intangible assets other than goodwill	205
Deferred tax liabilities	(52)
Liabilities assumed	(116)
Total purchase consideration	$ 788

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 margin and cost synergies expected from combining the operations of NCR and Retalix. It is expected that approximately $35 million of the goodwill recognized in connection with the acquisition will be deductible for tax purposes. The goodwill arising from the acquisition has been allocated to the Retail Solutions segment. Refer to Note 5, "Goodwill and Other Long-Lived Assets" for the carrying amounts of goodwill by segment as of December 31, 2013.

Acquisition of Alaric Systems Limited On December 2, 2013, the Company acquired all of the outstanding share capital of Alaric Systems Limited ("Alaric Systems") in exchange for approximately $84 million, plus related acquisition costs. Alaric Systems is a provider of secure transaction switching and fraud prevention software. Goodwill recognized related to this acquisition was $55 million, of which it is expected that zero will be deductible for tax purposes. The goodwill and their results from the date of acquisition has been reported within our Financial Services segment. As a result of the Alaric Systems acquisition, NCR recorded $37 million related to identifiable intangible assets consisting primarily of proprietary technology and customer relationships, which have a weighted-average amortization period of 8 years. Supplemental pro forma information and actual revenue and earnings since the acquisition date have not been provided as this acquisition did not have a material impact on the Company's Consolidated Statements of Operations.

Other Acquisitions During the year ended December 31, 2013, the Company completed five additional acquisitions for aggregate purchase consideration of approximately $38 million, plus related acquisition costs. Approximately $6 million was withheld by the Company as a source of recovery for possible claims under the related acquisition agreements and will be paid to the respective sellers pursuant to the terms of such agreements. Goodwill recognized related to these acquisitions was $23 million, of which it is expected that $19 million will be deductible for tax purposes. The goodwill arising from these acquisitions has been allocated to the Hospitality segment. As a result of these five additional acquisitions, NCR recorded $14 million related to identifiable intangible assets consisting primarily of customer relationships, which have a weighted-average amortization period of 3 years. Supplemental pro forma information and actual revenue and earnings since the acquisition dates have not been provided as these acquisitions did not have a material impact, individually or in the aggregate, on the Company's Consolidated Statements of Operations.

2012 Acquisitions

Following is a brief description of the Company's noteworthy acquisitions completed during the 2012 fiscal year:

Acquisition of POS and RDS On February 7, 2012, the Company acquired all of the outstanding capital stock of POS Integrated Solutions Do Brasil Comercio E Servicos De Informatica S.A. ("POS") and RDS South America Comercio E Servicos De Informatica S.A. ("RDS") for aggregate purchase consideration of approximately $1 million, plus related acquisition costs. POS and RDS were resellers of certain of the Company's hardware and software, and their results have been reported within our Hospitality segment since the date of the acquisitions.

Acquisition of Wyse Sistemas de Informatica Ltda. On May 31, 2012, the Company acquired all of the outstanding units of membership interest of Wyse Sistemas de Informatica Ltda. ("Wyse") for aggregate purchase consideration of approximately $13 million, plus related acquisition costs. Wyse was a developer and provider of point of sale software specifically designed for the hospitality market in Brazil, and their results have been reported within our Hospitality segment since the date of the acquisition.

Hospitality Reseller Acquisitions During 2012, the Company acquired the assets of six of its domestic Hospitality resellers in separate transactions for aggregate purchase consideration of approximately $28 million, plus related acquisition costs.

Acquisition of Transoft, Inc. On September 7, 2012, the Company acquired substantially all of the assets of Transoft, Inc. for aggregate purchase consideration of approximately $40 million, plus related acquisition costs, of which the Company will recognize $7 million as compensation expense included within selling, general and administrative expenses over a period of two years from the acquisition date. Transoft, Inc. was a global leader in cash management software for financial institutions, and their results have been reported within our Financial Services segment since the date of the acquisition.

Acquisition of uGenius Technology, Inc. On, December 31, 2012, the Company acquired substantially all of the assets of uGenius Technology, Inc. (uGenius) for aggregate purchase consideration of approximately $37 million, including the settlement of NCR's pre-existing 8.7% equity investment in uGenius Technology, LLC, plus related acquisition costs. uGenius was a provider of video banking solutions, and their results have been reported within our Financial Services segment since the date of the acquisition.

Approximately $11 million of the aggregate purchase consideration was withheld by the Company as a source of recovery for possible claims under the acquisition agreements for the 2012 acquisitions noted above, and will be paid to the respective sellers pursuant to the terms of such agreements. As a result of the above noted 2012 acquisitions, NCR recorded $34 million related to identifiable intangible assets consisting primarily of proprietary technology and customer relationships, which have a weighted-average amortization period of 7 years.

5. GOODWILL AND OTHER LONG-LIVED ASSETS

Goodwill

The carrying amounts of goodwill by segment as of December 31, 2013 and 2012 are included in the table below. Foreign currency fluctuations are included within other adjustments.

	January 1, 2013						December 31, 2013		
In millions	Goodwill	Accumulated Impairment Losses	Total	Additions	Impairment	Other	Goodwill	Accumulated Impairment Losses	Total
Financial Services	$ 202	$ —	$ 202	$ 55	$ —	$ (2)	$ 255	$ —	$ 255
Retail Solutions	120	(3)	117	461	—	—	581	(3)	578
Hospitality	659	—	659	23	—	(6)	676	—	676
Entertainment	5	(5)	—	—	—	—	5	(5)	—
Emerging Industries	25	—	25	—	—	—	25	—	25
Total	$ 1,011	$ (8)	$ 1,003	$ 539	$ —	$ (8)	$ 1,542	$ (8)	$ 1,534

	January 1, 2012						December 31, 2012		
In millions	Goodwill	Accumulated Impairment Losses	Total	Additions	Impairment	Other	Goodwill	Accumulated Impairment Losses	Total
Financial Services	$ 152	$ —	$ 152	$ 50	$ —	$ —	$ 202	$ —	$ 202
Retail Solutions	120	(3)	117	—	—	—	120	(3)	117
Hospitality	619	—	619	35	—	5	659	—	659
Entertainment	5	(5)	—	—	—	—	5	(5)	—
Emerging Industries	25	—	25	—	—	—	25	—	25
Total	$ 921	$ (8)	$ 913	$ 85	$ —	$ 5	$ 1,011	$ (8)	$ 1,003

Long-Lived Assets

NCR's identifiable intangible assets, reported in other assets in the Consolidated Balance Sheets, were specifically identified when acquired, and are deemed to have finite lives. The gross carrying amount and accumulated amortization for NCR's identifiable intangible assets were as follows. The increase in the gross carrying amount is primarily due to the acquisitions detailed in Note 4, "Business Combinations and Divestitures."

		December 31, 2013		December 31, 2012	
In millions	Amortization Period (in Years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Identifiable intangible assets					
Reseller & customer relationships	1 - 20	$ 328	$ (37)	$ 179	$ (17)
Intellectual property	2 - 7	275	(118)	180	(80)
Tradenames	2 - 10	61	(15)	49	(8)
Non-compete arrangements	2 - 5	8	(8)	8	(7)
Total identifiable intangible assets		$ 672	$ (178)	$ 416	$ (112)

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

		For the years ended December 31 (estimated)				
In millions	December 31, 2013	2014	2015	2016	2017	2018
Amortization expense	$ 66	$ 73	$ 73	$ 67	$ 58	$ 41

NCR Corporation
Notes to Consolidated Financial Statements—(Continued)

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 2013, we recorded a one-time benefit of approximately $16 million in connection with the American Taxpayer Relief Act of 2012 that was signed into law in January 2013 and the related retroactive tax relief for certain law provisions that expired in 2012. The 2013 tax provision was also favorably impacted by the release of a $10 million valuation allowance due to the implementation of a tax planning strategy to access certain deferred tax assets, a $15 million reduction in a valuation allowance related to a subsidiary in Japan, and a favorable mix of earnings by country, primarily related to lower pension benefit. During 2012, we favorably settled examinations with Canada for the 2003 tax year and Japan for tax years 2001 through 2006 that resulted in tax benefits of $14 million and $13 million, respectively. In addition, the 2012 tax provision was favorably impacted by the mix of earnings by country. These benefits were partially offset by an increase of $17 million to the U.S. valuation allowance. During 2011, we favorably settled examinations with Canada for 1997 through 2001 that resulted in a $12 million tax benefit.

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

In millions	2013	2012
Deferred income tax assets		
Employee pensions and other benefits	$ 119	$ 322
Other balance sheet reserves and allowances	170	140
Tax loss and credit carryforwards	719	628
Capitalized research and development	101	86
Property, plant and equipment	7	8
Other	52	54
Total deferred income tax assets	1,168	1,238
Valuation allowance	(364)	(399)
Net deferred income tax assets	804	839
Deferred income tax liabilities		
Intangibles	125	83
Capitalized software	20	16
Other	7	11
Total deferred income tax liabilities	152	110
Total net deferred income tax assets	$ 652	$ 729

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, 2013, our net deferred tax assets in the United States totaled approximately $555 million. For the three year period ended December 31, 2013, we had a cumulative net loss from continuing operations before income taxes, which is generally considered a negative indicator about our ability to realize the benefits of those assets. We further evaluated the realizability of the U.S. deferred tax assets by weighing other 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, 2013, NCR had U.S. federal and foreign tax attribute carryforwards of approximately $1.8 billion. The net operating loss carryforwards, subject to expiration, expire in the years 2014 through 2033. The amount of tax deductions in excess of previously recorded windfall tax benefits associated with stock-based compensation included in U.S. federal net operating loss carryforwards but not reflected in deferred tax assets for the year ended December 31, 2013 was $69 million. Upon realization of the U.S. federal net operating losses, the Company will recognize a windfall tax benefit as an increase to additional paid-in capital. In addition, the Company had U.S. tax credit carryforwards of $117 million. Approximately $22 million of the credit carryforwards do not expire, and $95 million expires in the years 2014 through 2033.

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Notes to Consolidated Financial Statements—(Continued)

8. EMPLOYEE STOCK COMPENSATION PLANS

The Company recognizes all share-based payments, including grants of stock options, as compensation expense in its financial statements based on their fair value.

As of December 31, 2013, the Company's primary types of stock-based compensation were restricted stock and stock options. The Company recorded stock-based compensation expense, the components of which are further described below, for the years ended December 31 as follows:

In millions	2013	2012	2011
Restricted stock	$ 39	$ 46	$ 27
Stock options	2	3	6
Total stock-based compensation (pre-tax)	41	49	33
Tax benefit	(13)	(14)	(10)
Total stock-based compensation (net of tax)	$ 28	$ 35	$ 23

Stock-based compensation expense for the years ended December 31, 2013, 2012 and 2011 was computed using the fair value of options as calculated using the Black-Scholes option-pricing model. During the year ended December 31, 2013, the Company did not grant any stock options. The weighted average fair value of options granted was estimated based on the below weighted average assumptions and was $8.24 per share in 2012 and $7.38 per share in 2011.

	2012	2011
Dividend yield	—	—
Risk-free interest rate	0.78%	2.04%
Expected volatility	40.1%	40.4%
Expected holding period (years)	5.0	5.1

Expected volatility incorporates a blend of both historical volatility of the Company's stock over a period equal to the expected term of the options and implied volatility from traded options on the Company's stock, as management believes this is more representative of prospective trends. The Company uses historical data to estimate option exercise and employee terminations within the valuation model. The expected holding period represents the period of time that options are expected to be outstanding. The risk-free interest rate for periods within the contractual life of the option is based on the 5-year U.S. Treasury yield curve in effect at the time of grant.

Approximately 19 million shares are authorized to be issued under the 2013 Stock Incentive Plan (formerly the 2011 Amended and Restated Stock Incentive Plan) (SIP). Details of the Company's stock-based compensation plans are discussed below.

Restricted Stock and Restricted Stock Units

The SIP provides for the issuance of restricted stock, as well as restricted stock units. These types of awards can have either service-based or performance-based vesting with performance goals being established by the Compensation and Human Resource Committee. Any grant of restricted stock or restricted stock units is subject to a vesting period of at least three years, except that a one-year term of service may be required if vesting is conditioned upon achievement of performance goals. Performance-based grants are subject to future performance measurements, which include NCR's achievement of specific return on capital and 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 Company considers the likelihood of meeting the performance criteria based upon management's estimates and analysis of achievement against the performance criteria. At the date of grant, a recipient of restricted stock has all the rights of a stockholder subject to certain restrictions on transferability and a risk of forfeiture. 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 or restricted stock units will be determined by the Compensation and Human Resource Committee and set forth in the agreement relating to that award.