



## NCR Reports Second Quarter Results

July 20, 2000 at 9:06 AM EDT

DAYTON, Ohio, July 20 /PRNewswire/ -- NCR Corporation today announced net income of \$39 million, or \$0.39 per diluted share, for the second quarter ended June 30, 2000. Excluding the impact of special items which include charges related to the October 1999 restructuring and write-down of acquisition related in-process research and development, net income was \$60 million, or \$0.61 per diluted share, compared to \$46 million or \$0.45 per diluted share in the prior year period.

Overall revenues were \$1.45 billion compared to \$1.57 billion in the year-ago period. Data Warehousing revenues increased 23 percent to \$248 million compared to \$201 million in the second quarter of 1999. Supply constraints negatively impacted Retail Store Automation revenues by approximately \$50 million in the quarter. As anticipated, revenues in solutions that have been de-emphasized or restructured decreased by 33 percent to \$191 million from \$285 million. Currency had a negative 1 percent impact on overall revenues.

NCR Chairman and CEO Lars Nyberg said, "We are pleased with these results given the current environment in the technology services industry, but we clearly recognize our challenges and are aggressively addressing them. Data Warehousing reported the best quarter in its history in terms of revenue and profitability. In Financial Self Service (ATMs) we delivered strong profitability in the quarter and our order activity is very strong. We experienced product supply issues in Retail Store Automation and are working hard to remedy the situation in cooperation with our supplier, but our backlog is strong. In Customer Services, our pipeline of potential acquisitions is very active, and I expect some meaningful transactions will be achieved in the next few quarters."

### Revenue

Overall revenues were down 8 percent, led by the anticipated sharp declines in de-emphasized solutions, product availability issues for Store Automation, the lingering impact from Y2K transitions and currency impact. Data Warehousing saw continued growth momentum as revenues increased 23 percent over a very strong second quarter in 1999. Data Warehousing's revenue growth was broad based across all regions. More importantly, new customer wins for the quarter were ahead of the prior year comparison and were across all industries including a strong mix of wins in the financial industry.

Retail Store Automation declined 18 percent, primarily due to product supply issues. In 1998, NCR outsourced its production of retail point-of-sale terminals and scanners to Solectron Corporation. A lack of component availability negatively impacted Retail Store Automation revenues by approximately \$50 million. NCR and Solectron are working together to resolve this issue in the third quarter. NCR continues to build backlog due to strong customer demand.

Against a strong quarter a year ago, Financial Self Service (ATMs) revenues were down 7 percent and down 3 percent on a local currency basis. Current customer demand for our Financial Self Service (ATMs) solutions is very good and we expect strong revenue growth in the second half of the year.

Customer Services maintenance revenues were down 5 percent, primarily a function of revenue declines in de-emphasized businesses and the abrupt Y2K-related termination of commodity hardware maintenance revenues at the end of 1999.

Systemmedia revenues were up 8 percent for the quarter, while Other revenues which include revenues from de-emphasized or exited businesses were down 33 percent from the second quarter of 1999.

### Gross Margin

Reported gross margin was 32.5 percent of revenues. The business restructuring announced last October negatively affected gross margins by \$4 million in the second quarter of 2000. Without this negative impact, gross margins increased to 32.7 percent of revenues, up 1.0 points from last year's 31.7 percent. Higher revenues from Data Warehousing, product cost reduction and improved technical consultant utilization were among the drivers of improving margins.

### Expenses

Total reported expenses in the second quarter of 2000 were \$427 million compared to \$438 million in the second quarter of 1999. In-process research and development charges related to NCR's recent acquisitions of Ceres Integrated Solutions and Research Computer Services, Inc. resulted in incremental research and development expense in the second quarter of \$24 million. Excluding these special items, total expenses in the quarter were below prior year by \$35 million, which represents an 8 percent reduction. Research and development expenses excluding these special items were \$75 million, or 5.2 percent of revenue, versus \$85 million, or 5.4 percent of revenue last year. The second quarter year-over-year decrease in research and development expenses is attributable to exited solutions.

### Operating and Net Income

NCR reported operating income of \$43 million for the second quarter of 2000. Excluding special items, NCR's operating income was \$71 million in the current quarter compared to \$61 million in the same period a year ago. Interest and other income of \$21 million increased due to the timing of ongoing asset management initiatives. NCR reported net income of \$39 million for the second quarter of 2000. Excluding the \$21 million after-tax impact of special items, NCR's net income was \$60 million. Reported net income per basic and diluted share was \$0.41 and \$0.39, respectively. Excluding special items, net income per diluted share was \$0.61, compared to \$0.45 in the second quarter of 1999, a 36 percent increase.

Although revenues from Other solutions were down 33 percent, operating income from Other solutions was up \$18 million due to the elimination of losses from the exit of non-core solutions. Additionally, NCR's Payment and Imaging solutions turned in a strong operating performance for the quarter.

#### Balance Sheet

NCR ended the second quarter of 2000 with \$561 million in cash and short-term investments. As of June 30, 2000, NCR had short and long-term debt of \$75 million and total stockholder's equity of \$1.7 billion.

At the end of the second quarter, NCR employed approximately 32,500 people worldwide, including contractors, up 700 from 31,800 at the end of the first quarter, and down 1,000 from 33,500 a year ago. The increased number of employees in the second quarter over the first quarter is primarily due to business acquisitions.

#### Outlook

Led by continuing improvements in gross margin and expense reduction, operating income, before special items, is targeted to improve approximately 50 percent and exceed \$300 million, compared to \$203 million in 1999. Continued emphasis will be placed on expanding NCR's global leadership position in each of the core solutions, improving the earnings equation within the Data Warehousing solutions, and managing capital deployed and cash flow effectively. From a revenue growth and operating income viewpoint, NCR expects to report the strongest second half of a year since its December 1996 spin-off from AT&T.

#### About NCR Corporation

NCR Corporation (NYSE: NCR) is a US\$6.2 billion leader in providing Relationship Technology(TM) solutions to customers worldwide in the retail, financial, communications, travel and transportation, and insurance markets. NCR's Relationship Technology solutions include privacy-enabled Teradata(R) warehouses and customer relationship management (CRM) applications, store automation and automated teller machines (ATMs). The company's business solutions are built on the foundation of its long-established industry knowledge and consulting expertise, value-adding software, global customer support services, a complete line of consumable and media products, and leading edge hardware technology. NCR employs 32,500 in 130 countries, and is a component stock of the Standard & Poor's 500 Index. More information about NCR and its solutions may be found at [www.ncr.com](http://www.ncr.com).

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#### Financial Information

Detailed financial information regarding NCR's second quarter results is available on the Internet: <http://www.ncr.com>. NCR's Chairman and Chief Executive Officer, Lars Nyberg and Senior Vice President and Chief Financial Officer, David Bearman, will also discuss the company's financial performance during a conference call. Access is available from NCR's web-site at [http://www.ncr.com/about\\_ncr/ir/invest\\_rel.asp](http://www.ncr.com/about_ncr/ir/invest_rel.asp).

The replay can also be accessed by calling (402) 220-5185 and is available beginning at 11:30 A.M. (EDT) today continuing until 3:00 P.M. (EDT) on July 22, 2000.

#### NOTE TO INVESTORS:

This news release contains forward-looking statements, including statements as to anticipated or expected results, beliefs, opinions, and future financial performance. These forward-looking statements are based on current expectations and assumptions and involve risks and uncertainties that could cause NCR's actual results to differ materially.

In addition to the factors discussed in this release, other risks and uncertainties include the timely development, production or acquisition, and market acceptance of new and existing products and services; shifts in market demands; continued competitive factors and pricing pressures; short product-cycles and rapidly changing technologies; turnover of workforce and the ability to attract and retain skilled employees; tax rates; ability to execute the company's business plan; general economic and business conditions; and other factors detailed from time to time in the company's Securities and Exchange Commission reports and the company's annual reports to stockholders. The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

	For the Periods Ended June 30			
	Three Months		Six Months	
	2000	1999	2000	1999
Revenues				
Products	\$771	\$849	\$1,400	\$1,506
Services	677	723	1,303	1,399
Total Revenues	1,448	1,572	2,703	2,905
Cost of products	471	529	883	962
Cost of services	507	544	992	1,060

Total Gross Margin	470	499	828	883
% of Revenue	32.5%	31.7%	30.6%	30.4%
Selling, general and administrative expenses	328	353	634	665
Research and development expenses	99	85	169	165
Income from Operations	43	61	25	53
% of Revenue	3.0%	3.9%	0.9%	1.8%
Interest and other income (net)	21	13	34	26
Income Before Income Taxes	64	74	59	79
% of Revenue	4.4%	4.7%	2.2%	2.7%
Income tax expense	25	28	25	30
Net Income	\$39	\$46	\$34	\$49
% of Revenue	2.7%	2.9%	1.3%	1.7%
Net Income per Common Share				
Basic	\$0.41	\$0.47	\$0.36	\$0.50
Diluted	\$0.39	\$0.45	\$0.35	\$0.48
Weighted Average Common Shares Outstanding				
Basic	95.4	98.3	94.6	98.7
Diluted	98.8	102.1	97.7	102.5
Excluding Significant Special Items				
Income from Operations	\$71	\$61	\$67	\$53
Net Income	\$60	\$46	\$66	\$49
Net Income per Common Share (Diluted)	\$0.61	\$0.45	\$0.68	\$0.48

Significant special items represents restructuring and other related charges (\$4 million in Q2 and \$18 million year-to-date) in connection with the action announced in October 1999. Also includes Q2 in-process research and development charges of \$24 million.

Certain prior year amounts have been reclassified to conform to the 2000 presentation.

NCR CORPORATION  
IMPACT OF SIGNIFICANT SPECIAL ITEMS  
(Unaudited)  
(in millions, except per share amounts)

	For the Periods Ended June 30			
	Three Months		Six Months	
	2000	1999	2000	1999
Revenue	\$1,448	\$1,572	\$2,703	\$2,905
Gross Margin - base business	474	499	845	883
% of Revenue	32.7%	31.7%	31.3%	30.4%
Special items	(4)	0	(17)	0
Reported gross margin	470	499	828	883

% of Revenue	32.5%	31.7%	30.6%	30.4%
Expenses - base business	403	438	778	830
% of Revenue	27.8%	27.9%	28.8%	28.6%
Special items	24	0	25	0
Reported expenses	427	438	803	830
% of Revenue	29.5%	27.9%	29.7%	28.6%
Income from operations	71	61	67	53
Special items	(28)	0	(42)	0
Reported income from operations	43	61	25	53
Other income, net - base business	21	13	34	26
Special items	0	0	0	0
Reported other income	21	13	34	26
Income before income taxes - base business	92	74	101	79
Special items	(28)	0	(42)	0
Reported income before income taxes	64	74	59	79
Income taxes - base business	32	28	35	30
Income taxes related to special items	(7)	0	(10)	0
Reported income taxes	25	28	25	30
Net income - base business	60	46	66	49
Special items	(21)	0	(32)	0
Reported net income	\$39	\$46	\$34	\$49
Earnings per diluted share - base business	\$0.61	\$0.45	\$0.68	\$0.48
Special items	\$(0.22)	\$0	\$(0.33)	\$0
Reported earnings per diluted share	\$0.39	\$0.45	\$0.35	\$0.48

Significant special items represents restructuring and other related charges (\$4 million in Q2 and \$18 million year-to-date) in connection with the action announced in October 1999. Also includes Q2 in-process research and development charges of \$24 million.

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

	For the Periods Ended June 30					
	Three Months			Six Months		
By Solution Offering	2000	1999	% Change	2000	1999	% Change
Revenue						

Store Automation	\$205	\$251	(18)%	\$356	\$454	(22)%
Self Service/ATMs	248	267	(7)%	449	466	(4)%
Data Warehousing	248	201	23%	443	314	41%
Customer Services Maintenance:						
Store Automation	115	115	0%	230	231	0%
Self Service/ATMs	111	119	(7)%	221	247	(11)%
Data Warehousing	44	40	10%	88	78	13%
Other	158	175	(10)%	319	353	(10)%
Total Customer Services Maintenance	428	449	(5)%	858	909	(6)%
Systemedia	128	119	8%	242	232	4%
Other	191	285	(33)%	355	530	(33)%
Total Revenue	\$1,448	\$1,572	(8)%	\$2,703	\$2,905	(7)%

Operating Income/(Loss) - Including Customer Services Maintenance

Store Automation	\$(13)	\$16	--	\$(40)	\$14	--
Self Service/ATMs	52	57	--	71	94	--
Data Warehousing	4	(23)	--	(15)	(92)	--
Systemedia	4	5	--	8	10	--
Other	24	6	--	43	27	--
Total Operating Income*	\$71	\$61	--	\$67	\$53	--

\*Excludes restructuring and other related charges (\$4 million in Q2 and \$18 million year-to-date) in connection with the action announced in October 1999. Also excludes Q2 in-process research and development charges of \$24 million (\$19 million Data Warehousing and \$5 million Store Automation).

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NCR CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in millions)

	June 30 2000 (Unaudited)	March 31 2000 (Unaudited)	December 31 1999
<b>Assets</b>			
Current assets			
Cash and short-term investments	\$561	\$670	\$763
Accounts receivable, net	1,173	1,132	1,197
Inventories	299	292	299
Other current assets	298	340	282
Total Current Assets	2,331	2,434	2,541
Property, plant and equipment, net	972	981	1,002
Other assets	1,474	1,379	1,352
Total Assets	\$4,777	\$4,794	\$4,895
<b>Liabilities and Stockholders' Equity</b>			
Current liabilities			
Short-term borrowings	\$37	\$39	\$37
Accounts payable	335	295	378
Other current liabilities	1,142	1,265	1,247
Total Current Liabilities	1,514	1,599	1,662
Long-term debt	38	39	40
Other long-term liabilities	1,523	1,544	1,584
Total Liabilities	3,075	3,182	3,286

Total Stockholders' Equity	1,702	1,612	1,609
Total Liabilities and Stockholders' Equity	\$4,777	\$4,794	\$4,895

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

	For the Periods Ended June 30			
	Three Months		Six Months	
	2000	1999	2000	1999
Operating Activities				
Net Income	\$39	\$46	\$34	\$49
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation and amortization	91	92	185	185
Net (gain) loss on sales of assets	(22)	2	(21)	(8)
Purchased research and development from acquisitions	24	--	24	--
Changes in operating assets and liabilities				
Receivables	(37)	3	37	202
Inventories	(12)	4	--	(11)
Current payables	30	67	(106)	(80)
Deferred revenue and customer deposits	(77)	(82)	57	49
Timing of disbursements for employee severance and pension	(75)	(30)	(144)	(101)
Other assets and liabilities	(2)	5	(83)	(70)
Net Cash (Used In) Provided by Operating Activities	(41)	107	(17)	215
Investing Activities				
Short-term investments, net	56	(115)	36	(109)
Expenditures for service parts and property, plant and equipment	(122)	(85)	(246)	(170)
Proceeds from sales of facilities and other assets	81	11	133	40
Business acquisitions and investments	(31)	--	(56)	--
Other investing activities	(9)	(17)	(36)	(24)
Net Cash Used In Investing Activities	(25)	(206)	(169)	(263)
Financing Activities				
Purchase of Company common stock	(2)	(62)	(4)	(62)
Short-term borrowings, net	(2)	15	--	28
Long-term debt, net	(1)	--	(3)	--
Other financing activities	17	19	41	50
Net Cash Provided by (Used in) Financing Activities	12	(28)	34	16
Effect of exchange rate changes on cash and cash equivalents	2	(7)	(13)	(15)
Decrease in Cash and Cash				

Equivalents	( 52 )	( 134 )	( 165 )	( 47 )
Cash and Cash Equivalents at Beginning of Period	458	575	571	488
Cash and Cash Equivalents at End of Period	\$406	\$441	\$406	\$441

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