



NCR Reports Third-Quarter Results

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DAYTON, Ohio, Oct. 23 /PRNewswire/ -- NCR Corporation (NYSE: NCR) today announced its financial results for the quarter ended September 30, 2001. Total revenues declined 2 percent year-over-year to \$1.44 billion; on a constant-currency basis, revenues were flat versus last year's third quarter. The company generated net income of \$22 million, or \$0.22 per share, excluding a \$40 million provision for previously-disclosed environmental matters related to a business sold in 1978, and \$3 million of acquisition integration charges. Including special items, NCR reported a net loss of \$6 million, or \$0.07 per basic and diluted share.

Third-quarter significant items included:

- The Financial Self Service business achieved strong third-quarter results, with double-digit revenue growth in the Europe/Middle East/Africa (EMEA) and Asia/Pacific regions. Operating margins for this business, including related Customer Services Maintenance, improved to 17 percent.
- Retail Store Automation improved operating income through aggressive expense-reduction actions commenced earlier in the year, despite a significant revenue decline as a result of the slower economy.
- Data Warehousing revenues were lower than expected due to challenges created by the slower economic environment, especially in the telecommunications industry. The quality of new customers added during the quarter was very high though the number of new customer wins in the quarter was down about 20 percent year-over-year. Largely due to lower revenues and a higher mix of professional services, Data Warehousing operating margins declined.
- The economic impact on telecommunications, networking and hardware companies negatively affected NCR's third-party high availability products and maintenance business. Additionally, revenues from exited businesses declined at a faster rate than anticipated. As a result, "Other" solutions, which includes revenues from high availability products and exited businesses, declined significantly and materially impacted operating income. Cost and expense actions have already been taken to ensure improved profitability for "Other."

"Our overall third-quarter operating results highlight both the value of our diverse portfolio of business solutions and our global reach, even with the adverse economic environment. While we were affected by the pause in information technology capital spending, most notably here in the United States, we continued to benefit from activity in the European and Asia/Pacific markets, especially for our ATM solutions," said Lars Nyberg, NCR chairman and CEO.

"The interest level from both new and existing data warehousing customers remains high, and we are clearly gaining market share, even in this difficult environment. During the third quarter, we worked very hard to reduce expenses to improve profitability for data warehousing. The positive impact of these actions will become apparent in the fourth quarter," Nyberg said.

Revenue

Worldwide revenues declined 2 percent in the quarter to \$1.44 billion from \$1.46 billion in the third quarter of last year. Currency had a 2 percent negative impact on overall revenues. Compared to the third quarter of 2000, Financial Self Service achieved 17 percent revenue growth, led by strong growth in the EMEA and Asia/Pacific regions. Data Warehousing revenues declined 13 percent, and Retail Store Automation revenues decreased 14 percent as the economic environment continued to create challenges as customers curtailed capital expenditures. Customer Services Maintenance revenues improved 7 percent. Systemmedia revenues grew 1 percent, while Payment and Imaging revenues were up 5 percent. Other solutions revenues, which includes high availability products and exited businesses, were down 24 percent.

Gross Margin

Reported gross margin was 28.3 percent of revenues, down 3.3 points from last year's third-quarter gross margin of 31.6 percent. Excluding special items, overall gross margin for the third quarter decreased 3.5 points; product gross margins decreased 3.7 points to 33.8 percent, as compared to last year's third quarter, largely due to lower Data Warehousing revenues; and, services gross margins decreased by 2.6 points to 22.9 percent as a result of lower utilization of the company's high availability infrastructure resulting from the slower economic environment.

Expenses

Total reported expenses were \$373 million compared to \$396 million in the prior-year quarter. Reflecting aggressive initiatives taken earlier in the year, expenses for the quarter decreased \$23 million, or 6 percent, year-over-year. Acquisition-related goodwill amortization included in selling, general and administrative expenses in the quarter was \$9 million higher than last year's third quarter. Research and development expenses were \$68 million, or 4.7 percent of revenue, versus \$76 million, excluding special items, or 5.2 percent of revenue in the third quarter of last year.

Operating and Net Income

For the third quarter of 2001, NCR reported operating income of \$35 million. Excluding special items, NCR's operating income was \$38 million compared to \$72 million of operating income in the prior-year period.

The company incurred other expense of \$45 million in the third quarter compared to other income of \$18 million in the third quarter of 2000. Included in

other expense is \$40 million the company added to its reserves for environmental liabilities, including those associated with the Fox River environmental matter previously discussed in the company's public filings. The terms of a pending interim settlement, relating to the Fox River matter, limit NCR's and another party's combined and shared cash flow exposure for remediation and restoration over the next four years to approximately \$10 million per year.

Reported net loss was \$6 million, or \$0.07 per basic and diluted share, compared to net income of \$54 million, or \$0.55 per diluted share, in the year-ago quarter. Excluding special items, net income was \$22 million, or \$0.22 per diluted share, compared to \$58 million, or \$0.59 per diluted share, in the third quarter of 2000. Excluding goodwill charges and special items, earnings per diluted share would have been \$0.40 versus \$0.69 in the prior-year period.

The effective tax rate for the quarter was 33 percent. The weighted average number of shares outstanding on a basic and fully diluted basis for the quarter was 97.2 million.

During the quarter, NCR repurchased approximately 600,000 shares of its stock for approximately \$21 million.

Balance Sheet

NCR ended the third quarter of 2001 with \$284 million in cash and short-term investments, down from \$327 million at June 30, 2001. As of September 30, 2001, NCR had debt of \$146 million and total shareholders' equity of \$1.96 billion.

Fourth-Quarter Outlook

NCR anticipates overall revenue to be down 5-10 percent versus the fourth quarter of 2000. Data Warehousing and Retail Store Automation revenues are expected to decline approximately 10-15 percent, while Financial Self Service is expected to grow in the low single digits. Customer Services Maintenance is expected to decline 0-5 percent.

NCR expects operating income in the fourth quarter to be approximately \$110-\$120 million with earnings per share to be in the \$0.70-\$0.75 range.

About NCR Corporation

NCR Corporation (NYSE: NCR) is a leader in providing Relationship Technology(TM) solutions to customers worldwide. NCR's Relationship Technology solutions include the Teradata(R) database and analytical applications such as customer relationship management (CRM) and demand chain management, store automation systems 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 32,900 in more than 100 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.

NCR and Teradata are trademarks or registered trademarks of NCR Corporation in the United States and other countries.

Other Information

To discuss these results, NCR Chairman and CEO Lars Nyberg, NCR's Chief Financial Officer Earl Shanks, and NCR's retiring Chief Financial Officer David Bearman will host a conference call today at 10:30 a.m. (ET). Live access and a replay of the conference call is available from NCR's website at <http://investor.ncr.com/>.

Note to Investors

This news release contains forward-looking statements, including statements as to anticipated or expected results, beliefs, opinions, and future financial performance, within the meaning of Section 21E of the Securities and Exchange Act of 1934. Forward-looking statements include projections of revenue, profit growth and other financial items, future economic performance and statements concerning analysts' earnings estimates, among other things. 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 impact of recent terrorist activity on the economy or the markets in general or on the ability of NCR to meet its commitments to customers, the ability of NCR's suppliers to meet their commitments to NCR, or the timing of purchases by NCR's customers; 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 September 30			
	Three Months		Nine Months	
	2001	2000	2001	2000
Revenue				
Products	\$734	\$778	\$2,198	\$2,178
Services	708	686	2,119	1,989

Total Revenue	1,442	1,464	4,317	4,167
Cost of Products	487	486	1,424	1,369
Cost of Services	547	515	1,612	1,507
Total Gross Margin	408	463	1,281	1,291
% of Revenue	28.3%	31.6%	29.7%	31.0%
Selling, General and Administrative Expenses	305	319	985	953
Research and Development Expenses	68	77	221	246
Income from Operations	35	67	75	92
% of Revenue	2.4%	4.6%	1.7%	2.2%
Interest and Other (Expense)/Income, Net	(45)	18	(58)	52
(Loss)/Income Before Income Taxes and Cumulative Effect of Accounting Change	(10)	85	17	144
% of Revenue	(0.7%)	5.8%	0.4%	3.5%
Income Tax (Benefit)/Expense	(4)	31	(133)	56
(Loss)/Income Before Cumulative Effect of Accounting Change	(6)	54	150	88
Cumulative Effect of Accounting Change, Net of Tax (SFAS 133)	-	-	(4)	-
Net (Loss)/Income	\$(6)	\$54	\$146	\$88
% of Revenue	(0.4%)	3.7%	3.4%	2.1%
Net (Loss)/Income per Common Share Basic Before Cumulative Effect of Accounting Change	\$(0.07)	\$0.57	\$1.55	\$0.93
Cumulative Effect of Accounting Change (SFAS 133)	-	-	(0.04)	-
Basic	\$(0.07)	\$0.57	\$1.51	\$0.93
Diluted Before Cumulative Effect of Accounting Change	\$(0.07)	\$0.55	\$1.50	\$0.90
Cumulative Effect of Accounting Change (SFAS 133)	-	-	(0.04)	-
Diluted	\$(0.07)	\$0.55	\$1.46	\$0.90
Weighted Average Common Shares Outstanding				
Basic	97.2	96.1	96.6	95.1
Diluted	97.2	99.1	99.8	98.1

2001 - YTD significant special items represent charges related to the write-down of loans and receivables with Credit Card Center (\$40 million), integration charges related to acquisitions (\$7 million; \$3 million in Q3), the release of prior-year tax-exposure reserves (\$138 million), the after-tax, cumulative effect of adopting SFAS 133 (\$4 million) and a charge for long-term liabilities associated with environmental matters (\$40 million; \$40 million in Q3).

2000 - YTD significant special items represent restructuring and other

related charges (\$22 million; \$4 million in Q3) in connection with the
1999 restructuring plan and in-process research and development charges
related to acquisitions (\$25 million; \$1 million in Q3).

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

	For the Periods Ended September 30			
	Three Months		Nine Months	
	2001	2000	2001	2000
Revenue	\$1,442	\$1,464	\$4,317	\$4,167
Gross Margin - base business	410	467	1,286	1,312
% of Revenue	28.4%	31.9%	29.8%	31.5%
Special items	(2)	(4)	(5)	(21)
Reported Gross Margin	408	463	1,281	1,291
% of Revenue	28.3%	31.6%	29.7%	31.0%
Expenses - base business	372	395	1,165	1,173
% of Revenue	25.8%	27.0%	27.0%	28.1%
Special items	1	1	41	26
Reported Expenses	373	396	1,206	1,199
% of Revenue	25.9%	27.0%	27.9%	28.8%
Income from Operations - base business	38	72	121	139
Special items	(3)	(5)	(46)	(47)
Reported Income from Operations	35	67	75	92
Other (Expense)/Income, Net - base business	(5)	18	(17)	52
Special items	(40)	-	(41)	-
Reported Other (Expense)/Income	(45)	18	(58)	52
Income before Income Taxes - base business	33	90	104	191
Special items	(43)	(5)	(87)	(47)
Reported (Loss)/Income Before Income Taxes and Cumulative Effect of Accounting Change	(10)	85	17	144
Income Taxes - base business	11	32	34	67
Income Taxes related to special items	(15)	(1)	(167)	(11)
Reported Income Tax (Benefit)/Expense	(4)	31	(133)	56
Cumulative Effect of Accounting Change, Net of Tax (SFAS 133)	-	-	(4)	-
Net Income - base business	22	58	70	124
Special items	(28)	(4)	76	(36)
Reported Net (Loss)/Income	\$(6)	\$54	\$146	\$88
Earnings per Diluted Share - base				

business	\$0.22	\$0.59	\$0.70	\$1.27
Earnings per Diluted Share - special items	\$(0.29)	\$(0.04)	\$0.76	\$(0.37)
Reported Earnings per Diluted Share	\$(0.07)	\$0.55	\$1.46	\$0.90

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2000 - YTD significant special items represent restructuring and other related charges (\$22 million; \$4 million in Q3) in connection with the 1999 restructuring plan and in-process research and development charges related to acquisitions (\$25 million; \$1 million in Q3).

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

	For the Periods Ended September 30					
	Three Months			Nine Months		
			%			%
	2001	2000	Change	2001	2000	Change
Revenue By Solution Offering						
Data Warehousing	\$201	\$230	(13%)	\$691	\$673	3%
Financial Self Service	302	259	17%	787	708	11%
Retail Store Automation	207	242	(14%)	607	598	2%
Customer Services Maintenance:						
Data Warehousing	49	42	17%	141	130	8%
Financial Self Service	121	106	14%	360	327	10%
Retail Store Automation	111	116	(4%)	327	346	(5%)
Payment and Imaging	29	30	(3%)	89	89	0%
Other	142	127	12%	447	387	16%
Total Customer Services Maintenance	452	421	7%	1,364	1,279	7%
Systemedia	124	123	1%	365	365	0%
Payment and Imaging	45	43	5%	134	131	2%
Other	111	146	(24%)	369	413	(11%)
Total Revenue	\$1,442	\$1,464	(2%)	\$4,317	\$4,167	4%
Operating Income/(Loss) - Including Customer Services Maintenance						
Data Warehousing	\$(32)	\$(12)	-	\$(50)	\$(27)	-
Financial Self Service	73	49	-	169	120	-
Retail Store Automation	10	6	-	(6)	(34)	-
Systemedia	6	3	-	8	11	-
Payment and Imaging	6	11	-	29	30	-
Other	(25)	15	-	(29)	39	-

Total Operating Income*	\$38	\$72	-	\$121	\$139	-
Goodwill Amortization						
Reflected in Operating Income	\$17	\$8	-	\$49	\$19	-

- Excludes significant special items.

NCR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in millions)

	September 30 2001	June 30 2001	December 31 2000
Assets			
Current assets			
Cash and short-term investments	\$284	\$327	\$357
Accounts receivable, net	1,064	1,060	1,338
Inventories	312	309	288
Other current assets	251	247	251
Total Current Assets	1,911	1,943	2,234
Property, plant and equipment, net	927	935	960
Other Assets	2,000	1,899	1,912
Total Assets	\$4,838	\$4,777	\$5,106
Liabilities and Stockholders' Equity			
Current liabilities			
Short-term borrowings	\$135	\$131	\$96
Accounts payable	414	386	521
Other current liabilities	980	955	1,219
Total Current Liabilities	1,529	1,472	1,836
Long-term debt	11	12	11
Other long-term liabilities	1,340	1,325	1,501
Total Liabilities	2,880	2,809	3,348
Total Stockholders' Equity	1,958	1,968	1,758
Total Liabilities and Stockholders' Equity	\$4,838	\$4,777	\$5,106

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

	For the Periods Ended September 30			
	Three Months		Nine Months	
	2001	2000	2001	2000
Operating Activities				
Net (Loss)/Income	\$(6)	\$54	\$146	\$88

Adjustments to reconcile net (loss)/income to cash provided by Operating Activities				
Depreciation and amortization	107	87	317	272
Net loss/(gain) on sale of assets	3	(16)	-	(37)
Deferred income taxes	(13)	5	(141)	23
Purchased research and development from acquisitions	-	1	-	25
Changes in assets and liabilities				
Receivables	(4)	24	291	61
Inventories	(3)	(11)	(23)	(11)
Current payables	43	87	(161)	(19)
Customer deposits and deferred service revenue	(32)	(64)	(4)	(7)
Timing of disbursements for employee severance and pension	(81)	(73)	(212)	(217)
Other assets and liabilities	9	(13)	(142)	(114)
Net Cash Provided by Operating Activities	23	81	71	64
Investing Activities				
Short-term investments, net	8	16	(9)	52
Net expenditures and proceeds for service parts	(40)	(13)	(102)	(76)
Expenditures for property, plant and equipment	(24)	(54)	(113)	(163)
Proceeds from sales of property, plant and equipment	18	113	26	172
Business acquisitions and investments	-	(15)	(3)	(71)
Other investing activities	(27)	(37)	(45)	(73)
Net Cash (Used in) Provided by Investing Activities	(65)	10	(246)	(159)
Financing Activities				
Purchase of Company common stock	(16)	(33)	(50)	(37)
Short-term borrowings, net	5	8	39	8
Long-term debt, net	(1)	-	-	(3)
Other financing activities	13	14	84	55
Net Cash Provided by (Used in) Financing Activities	1	(11)	73	23
Effect of exchange rate changes on cash and cash equivalents	6	(4)	20	(17)
(Decrease) Increase in Cash and Cash Equivalents	(35)	76	(82)	(89)
Cash and Cash Equivalents at Beginning of Period	300	406	347	571
Cash and Cash Equivalents at End of Period	\$265	\$482	\$265	\$482

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