



NCR Reports Third-Quarter Results; Data Warehousing Revenue Increases 14 Percent

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DAYTON, Ohio, Oct 24, 2002 (BUSINESS WIRE) -- NCR Corporation (NYSE:NCR) today announced that revenue for the quarter ended September 30, 2002, was \$1.38 billion, a decrease of 5 percent versus the prior-year period. When adjusted for foreign-currency fluctuations, revenue declined 7 percent.

NCR reported third-quarter operating income of \$53 million compared to reported operating income of \$35 million in the third quarter of 2001. Excluding special items and goodwill amortization, operating income for the third quarter of 2001 was \$55 million.

Net income for the third quarter was \$41 million, or \$0.42 per diluted share. In the third quarter of last year, NCR reported a net loss of \$6 million, or \$0.07 per diluted share. Excluding goodwill amortization and special items, third-quarter 2001 net income and earnings per diluted share would have been \$40 million and \$0.40, respectively.

"We are pleased that we delivered on our revenue and operating income commitments for the third quarter despite the difficult economic and capital-spending environment. Our Data Warehousing business continued to achieve stellar results during the quarter," said Lars Nyberg, chairman and chief executive officer of NCR.

"We have not seen signs of an improving market environment, but we have opportunities for both gaining market share in our core businesses and optimizing operating efficiencies as we intensify our focus on aggressive cost and expense control through process improvement," Nyberg said.

Included in NCR's third-quarter results:

-- Data Warehousing gained market share and delivered dramatic operating income improvement as companies continued to install and upgrade enterprise-wide data warehouses due to their strategic nature and the Teradata(R) solution's ability to deliver tangible business value. -- Financial Self Service generated strong growth in the Asia-Pacific and Americas regions. This growth partially offset the effects of unfavorable economic conditions in Europe and the related competitive pressure. -- Retail Store Automation solution revenue declined as retailers continued to delay purchases of both traditional point-of-sale equipment and newer store automation solutions. -- Revenues and operating income in the "Other" segment continued to be negatively affected by the significant slowdown in the telecom and networking industries. -- Net income benefited from refunds of cash taxes paid in previous periods. The company also incurred higher-than-anticipated other expense.

Revenue

Compared to the third quarter of 2001, Data Warehousing solution revenue was up 14 percent. Financial Self Service solution revenue decreased 3 percent, or 7 percent when adjusted for foreign-currency fluctuations. Retail Store Automation solution revenue was down 13 percent. Systemedia revenue was up 2 percent, while Other revenue was down 39 percent.

Payment and Imaging revenue was down 22 percent in the third quarter of 2002, but flat year-over-year excluding the item-processing outsourcing business sold in the fourth quarter of 2001. Growth in imaging solutions offset the declines in core item processing due to check volume reduction.

Gross Margin

Total gross margin for NCR products and services was 28.8 percent, up 0.5 percentage points from the third quarter of 2001. Product gross margin increased 1.0 point to 34.7 percent, while services gross margin decreased 0.2 points to 22.5 percent.

Expenses

Total expenses in the third quarter were \$343 million. Reported expenses for the third quarter of 2001 were \$373 million. Excluding special items and goodwill amortization, expenses were down 3 percent from the third quarter of 2001. Research and development expenses for the quarter were \$56 million, or 4.1 percent of revenue, versus \$68 million, or 4.7 percent of revenue, in the year-ago period.

Operating and Net Income

Operating income for the quarter was \$53 million, compared to reported operating income of \$35 million in the third quarter of 2001. Excluding special items and goodwill amortization, operating income for the third quarter of 2001 was \$55 million. Operating income included \$9 million less pension income than the \$28 million included in the third quarter of 2001.

Other expense in the third quarter of 2002 was \$15 million, versus \$45 million in the year-ago quarter. Excluding a \$40 million charge taken in the third quarter of 2001 to increase reserves for environmental matters and \$2 million of goodwill amortization, other expense in the third quarter of 2001 was \$3 million. Higher-than-anticipated other expense was incurred in the third quarter of 2002, primarily due to exit costs related to the disposition of a small non-strategic business and the effects of currency translation in Latin America. Also included in income for the quarter was \$15 million related to refunds of previously paid taxes, which resulted in a net tax benefit of \$3 million.

Third-quarter net income was \$41 million, or \$0.42 per diluted share. In the year-ago period, including special items and goodwill amortization, NCR reported a net loss of \$6 million, or \$0.07 per diluted share. Excluding special items and goodwill amortization, 2001 third-quarter net income and earnings per diluted share were \$40 million and \$0.40, respectively.

Special items in the third quarter of 2001 included the \$40 million environmental reserve and a \$3 million acquisition-related integration charge. Goodwill amortization expense, net of tax, included in the third quarter of 2001 totaled \$18 million.

The weighted average number of shares outstanding on a fully diluted basis increased to 99.6 million in the third quarter from 97.2 million a year ago.

Balance Sheet

NCR ended the third quarter with \$461 million in cash and short-term investments, down from \$569 million on June 30, 2002. The company used \$22 million for share repurchases during the quarter. As of September 30, 2002, NCR had short- and long-term debt of \$328 million, up from \$318 million on June 30, 2002.

Outlook

For the fourth quarter of 2002, revenue for NCR is expected to be down 0-5 percent compared to the fourth quarter of 2001. By solution, Data Warehousing and Retail Store Automation revenues are expected to increase approximately 5-10 percent, while Financial Self Service is expected to be roughly flat. Systemedia is expected to be up 0-5 percent while Payment and Imaging and Other will be down approximately 10 percent and 30 percent, respectively.

NCR expects operating income in the fourth quarter to be approximately \$100-\$115 million with earnings per share to be in the \$0.70-\$0.80 range for the quarter or \$1.41-\$1.51 for the year.

About NCR Corporation

NCR Corporation (NYSE:NCR) is a leading global technology company helping businesses build stronger relationships with their customers. NCR's ATMs, retail systems, Teradata(R) data warehouses and IT services provide Relationship Technology(TM) solutions that maximize the value of customer interactions. Based in Dayton, Ohio, NCR (www.ncr.com) employs approximately 30,500 people worldwide.

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

Other Information

NCR's Chairman and Chief Executive Officer Lars Nyberg, President and Chief Operating Officer Mark Hurd, and Senior Vice President and Chief Financial Officer Earl Shanks will discuss the company's third-quarter results during a conference call today at 10:00 a.m. (ET). Live access to the conference call, as well as a replay, is available from NCR's Web site at <http://investor.ncr.com>.

In accordance with the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangibles" (SFAS 142), NCR discontinued amortization of goodwill as of January 1, 2002. Operating segment results for 2001 reflecting the SFAS 142 accounting change are available on NCR's Web site at www.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 duration and intensity of the economic recession and its impact on the markets in general or on our ability to meet

our commitments to customers, the ability of our suppliers to meet their commitments to us, or the timing of purchases (including upgrades to existing data warehousing solutions and retail point of service solutions) by our current and potential customers and other general economic and business conditions; the timely development, production or acquisition and market acceptance of new and existing products and services (such as self-checkout and electronic shelf-labeling technologies, ATM outsourcing and enterprise data warehousing), including our ability to accelerate market acceptance of new products and services; shifts in market demands, such as a possible shift toward industry standard "open" platforms for data warehousing solutions; continued competitive factors and pricing pressures and their impact on our ability to improve gross margins and profitability, especially in our more mature offerings such as Retail Store Automation and Financial Self Service solutions; short product cycles, rapidly changing technologies and maintaining competitive leadership position with respect to our solution offerings, particularly data warehousing technologies; tax rates; ability to execute our business plan; turnover of workforce and the ability to attract and retain skilled employees, especially in light of recent cost-control measures taken by us; availability and successful exploitation of new acquisition and alliance opportunities; continued efforts to establish and maintain best-in-class internal information-technology and control systems; 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	
	2002	2001	2002	2001
Revenue				
Products	\$ 709	\$ 734	\$ 2,031	\$ 2,198
Services	668	708	1,973	2,119
Total revenue	1,377	1,442	4,004	4,317
Cost of products	463	487	1,311	1,424
Cost of services	518	547	1,546	1,612
Total gross margin	396	408	1,147	1,281
% of Revenue	28.8%	28.3%	28.6%	29.7%
Selling, general and administrative expenses	287	305	861	985
Research and development expenses	56	68	173	221
Income from operations	53	35	113	75
% of Revenue	3.8%	2.4%	2.8%	1.7%
Interest and other expense, net	15	45	33	58
Income (loss) before income taxes and cumulative effect of accounting change	38	(10)	80	17
% of Revenue	2.8%	(0.7%)	2.0%	0.4%
Income tax (benefit) expense	(3)	(4)	9	(133)
Income (loss) before cumulative effect of accounting change	41	(6)	71	150
Cumulative effect of accounting change, net of tax	-	-	(348)	(4)
Net income (loss)	\$ 41	\$ (6)	\$ (277)	\$ 146
% of Revenue	3.0%	(0.4%)	(6.9%)	3.4%
Net income (loss) per common share				
Basic before cumulative effect of accounting change	\$ 0.42	\$ (0.07)	\$ 0.72	\$ 1.55
Cumulative effect of accounting change	-	-	(3.54)	(0.04)
Basic	\$ 0.42	\$ (0.07)	\$ (2.82)	\$ 1.51
Diluted before cumulative effect of accounting change	\$ 0.42	\$ (0.07)	\$ 0.71	\$ 1.50
Cumulative effect of accounting change	-	-	(3.47)	(0.04)
Diluted	\$ 0.42	\$ (0.07)	\$ (2.76)	\$ 1.46
Weighted average common shares outstanding				
Basic	97.8	97.2	98.1	96.6
Diluted	99.6	97.2	100.2	99.8

2002 - Reported nine-month results include the after-tax, cumulative effect of adopting SFAS 142 (\$348 million).

2001 - Reported nine-month results include the effect of goodwill amortization (\$56 million; \$19 million in Q3); excluding the effect of goodwill amortization, operating income, net income and earnings per diluted share would have been \$124 million (\$52 million in Q3), \$195 million (\$11 million in Q3) and \$1.95 (\$0.11 in Q3), respectively. Special items represent the before-tax provision for loans and receivables with Credit Card Center (\$40 million) and integration charges related to acquisitions (\$7 million; \$3 million in Q3); the tax benefit from the resolution of international income tax issues (\$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; and \$40 million in Q3).

NCR CORPORATION				
IMPACT OF SIGNIFICANT SPECIAL ITEMS & GOODWILL AMORTIZATION				
(Unaudited)				
(in millions, except per share amounts)				
	For the Periods Ended September 30			
	Three Months		Nine Months	
	2002	2001	2002	2001
Revenue	\$ 1,377	\$ 1,442	\$ 4,004	\$ 4,317
Gross margin - base business	396	410	1,147	1,286
% of Revenue	28.8%	28.4%	28.6%	29.8%
Special items	-	(2)	-	(5)
Reported gross margin	396	408	1,147	1,281
% of Revenue	28.8%	28.3%	28.6%	29.7%
Expenses - base business	343	355	1,034	1,116
% of Revenue	24.9%	24.6%	25.8%	25.9%
Goodwill amortization	-	17	-	49
Special items	-	1	-	41
Reported expenses	343	373	1,034	1,206
% of Revenue	24.9%	25.9%	25.8%	27.9%
Income from operations				
- base business	53	55	113	170
Goodwill amortization	-	(17)	-	(49)
Special items	-	(3)	-	(46)
Reported income from operations	53	35	113	75
Other expense, net - base business	15	3	33	10
Goodwill amortization	-	2	-	7
Special items	-	40	-	41
Reported other expense	15	45	33	58
Income before income taxes				
- base business	38	52	80	160
Special items and goodwill amortization	-	(62)	-	(143)
Reported income (loss) before income taxes and cumulative effect of accounting change	38	(10)	80	17
Income taxes - base business	(3)	12	9	40
Income taxes - special items and goodwill amortization	-	(16)	-	(173)
Reported income tax (benefit) expense	(3)	(4)	9	(133)
Cumulative effect of accounting change, net of tax	-	-	(348)	(4)
Net income - base business	41	40	71	120
Special items, goodwill amortization and cumulative effect of accounting change	-	(46)	(348)	26
Reported net income (loss)	\$ 41	\$ (6)	\$ (277)	\$ 146
Net income per diluted share				
- base business	\$ 0.42	\$ 0.40	\$ 0.71	\$ 1.20
Net income (loss) per diluted share - special items,				

goodwill amortization and cumulative effect of accounting change	-	(0.47)	(3.47)	0.26

Reported net income (loss) per diluted share	\$ 0.42	\$ (0.07)	\$ (2.76)	\$ 1.46
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2002 - Special items represent the after-tax, cumulative effect of adopting SFAS 142 (\$348 million).

2001 - Special items represent the before-tax provision for loans and receivables with Credit Card Center (\$40 million) and integration charges related to acquisitions (\$7 million; \$3 million in Q3); the tax benefit from the resolution of international income tax issues (\$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; and \$40 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		
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	2002	2001	% Change	2002	2001	% Change

Revenue By Solution Offering						
Data Warehousing Solution	\$ 229	\$ 201	14%	\$ 719	\$ 691	4%
Customer Services Maintenance	57	49	16%	166	141	18%
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Total Data Warehousing	286	250	14%	885	832	6%
Financial Self Service Solution	289	297	(3%)	749	771	(3%)
Customer Services Maintenance	126	126	-	378	376	1%
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Total Financial Self Service	415	423	(2%)	1,127	1,147	(2%)
Retail Store Automation Solution	181	207	(13%)	481	607	(21%)
Customer Services Maintenance	118	111	6%	345	327	6%
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Total Retail Store Automation	299	318	(6%)	826	934	(12%)
Systemedia	126	124	2%	374	365	2%
Payment and Imaging Solution	35	45	(22%)	111	134	(17%)
Customer Services Maintenance	28	29	(3%)	79	89	(11%)
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Total Payment and Imaging	63	74	(15%)	190	223	(15%)
Other Solution	68	111	(39%)	227	369	(38%)
Customer Services Maintenance	120	142	(15%)	375	447	(16%)
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Total Other	188	253	(26%)	602	816	(26%)
Total revenue	\$ 1,377	\$ 1,442	(5%)	\$ 4,004	\$ 4,317	(7%)
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Memo: Total Customer Services Maintenance revenue	\$ 449	\$ 457	(2%)	\$ 1,343	\$ 1,380	(3%)

Income (Loss) from
Operations by
Solution Offering

Data Warehousing	\$ 28	\$ (28)	\$ 83	\$ (36)
Financial Self Service	48	74	100	172
Retail Store Automation	(7)	11	(47)	(2)
Systemedia	1	6	6	8
Payment and Imaging	11	6	34	29
Other	(28)	(14)	(63)	(1)
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Income from operations excluding goodwill amortization and special items	53	55	113	170
Goodwill amortization in income (loss) from operations	-	(17)	-	(49)
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Income from operations excluding special items	53	38	113	121
Special items	-	(3)	-	(46)
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Income from operations	\$ 53	\$ 35	\$ 113	\$ 75
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2001 - Special items represent the before-tax provision for loans and receivables with Credit Card Center (\$40 million) and integration charges related to acquisitions (\$7 million; \$3 million in Q3); the tax benefit from the resolution of international income tax issues (\$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; and \$40 million in Q3). The 2001 results have been adjusted to conform to the 2002 presentation.

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

	September 30 2002	June 30 2002	December 31 2001
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Assets			
Current assets			
Cash, cash equivalents and short-term investments	\$ 461	\$ 569	\$ 336
Accounts receivable, net	1,196	1,130	1,126
Inventories	311	296	280
Other current assets	194	213	221
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Total current assets	2,162	2,208	1,963
Property, plant and equipment, net	822	838	853
Other assets	1,851	1,820	2,039
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Total assets	\$ 4,835	\$ 4,866	\$ 4,855
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Liabilities and Stockholders' Equity			
Current liabilities			
Short-term borrowings	\$ 22	\$ 12	\$ 138
Accounts payable	367	385	362
Other current liabilities	1,055	1,118	1,018
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Total current liabilities	1,444	1,515	1,518
Long-term debt	306	306	10
Other long-term liabilities	1,311	1,319	1,300
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Total liabilities	3,061	3,140	2,828
Total stockholders' equity	1,774	1,726	2,027
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Total liabilities and stockholders' equity	\$ 4,835	\$ 4,866	\$ 4,855
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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in millions)

	For the Periods Ended September 30			
	Three Months		Nine Months	
	2002	2001	2002	2001
Operating Activities				
Net income (loss)	\$ 41	\$ (6)	\$ (277)	\$ 146
Adjustments to reconcile net income (loss) to cash (used in) provided by operating activities				
Depreciation and amortization	83	107	245	317
Deferred income taxes	10	(13)	3	(3)
Income tax adjustment	-	-	-	(138)
Goodwill impairment	-	-	348	-
Other adjustments to income (loss), net	(2)	(5)	18	(8)
Changes in assets and liabilities				
Receivables	(66)	(4)	(82)	291
Inventories	(15)	(3)	(31)	(23)
Current payables	(38)	43	(9)	(161)
Customer deposits and deferred service revenue	(20)	(32)	39	(4)
Employee severance and pension	(37)	(81)	(114)	(212)
Other assets and liabilities	7	19	(37)	(106)
Net cash (used in) provided by operating activities	(37)	25	103	99
Investing Activities				
Short-term investments, net	-	8	1	(9)
Net expenditures and proceeds for service parts	(32)	(40)	(84)	(102)
Expenditures for property, plant and equipment	(22)	(24)	(66)	(113)
Proceeds from sales of property, plant and equipment	2	18	13	26
Business acquisitions, investments and divestitures	-	-	-	(3)
Other investing activities	(13)	(27)	(33)	(45)
Net cash (used in) investing activities	(65)	(65)	(169)	(246)
Financing Activities				
Purchase of Company common stock	(22)	(16)	(47)	(50)
Short-term borrowings, net	10	5	(116)	39
Long-term debt, net	-	(1)	296	-
Other financing activities	6	13	48	84
Net cash (used in) provided by financing activities	(6)	1	181	73
Effect of exchange rate changes on cash and cash equivalents	-	4	11	(8)
(Decrease) increase in cash and cash equivalents	(108)	(35)	126	(82)
Cash and cash equivalents at beginning of period	569	300	335	347
Cash and cash equivalents at end of period	\$ 461	\$ 265	\$ 461	\$ 265

NCR Corporation

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