



NCR Reports Significantly Higher Operating Income

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DAYTON, Ohio, Jan. 23 /PRNewswire/ -- NCR Corporation (NYSE: NCR) today announced that revenue for the fourth quarter ended December 31, 2000, increased to \$1.79 billion, a 2 percent increase over the \$1.76 billion reported in the year-ago period. On a local currency basis, revenue increased 7 percent. Net income of \$90 million, or \$0.90 per diluted share, for the fourth quarter compared to \$235 million, or \$2.44 per diluted share, in the year-ago period. Excluding the impact of restructuring and other related charges, and one-time charges related to acquisitions, fourth quarter and full year net income increased 44 percent and 41 percent, respectively, to \$105 million, or \$1.05 per diluted share, for the fourth quarter, and \$229 million, or \$2.34 per diluted share, for the full year.

Commenting on the results, NCR Chairman and CEO Lars Nyberg said, "Despite several challenges in 2000, NCR improved operationally and financially, delivering substantially increased operating earnings for the year. We are not satisfied that our original revenue and operating income targets were not attained. However, we are convinced that NCR is now better positioned for growth and enhanced profitability due to the underlying value proposition of our key solutions, the exiting of commodity businesses, a reduced cost structure and the strengthening of our management team."

Nyberg added, "The year 2000 was a breakthrough year for our Teradata(R) data warehousing solution. With impressive revenue growth, Teradata demonstrated its potential to be a very successful business. Our ATM business ended the year with solid revenue growth and strong order activity, and is well positioned for 2001."

Revenue

At \$1.79 billion, worldwide revenues increased 2 percent in the quarter, or 7 percent on a constant currency basis. By solution, Data Warehousing continued its impressive growth, up 20 percent for the quarter. Retail Store Automation revenue grew 14 percent, Financial Self Service increased 5 percent, or 13 percent on a constant currency basis, and Customer Services Maintenance revenues improved 3 percent. Revenue for Systemedia decreased 11 percent, while Payment and Imaging grew 8 percent in the quarter.

For the full year, NCR's revenue declined 4%, mainly due to exited businesses and the effects of currency. Data Warehousing reported a very strong 31 percent increase in revenues. Retail Store Automation revenue declined 8 percent. Financial Self Service revenue decreased 2 percent, but increased 4 percent on a constant currency basis, and Customer Services Maintenance revenue declined 3 percent. Systemedia revenue decreased 1 percent, while Payment and Imaging revenue declined 10 percent.

Gross Margin

Total gross margin for NCR products and services was 32.1 percent, up 1.3 points over last year's fourth quarter, a result of higher gross margins for both services and products. Excluding special items, total gross margin for the fourth quarter increased 1.8 percentage points to 33.1 percent. Product gross margin increased 0.4 points to 36.9 percentage points of revenue, and services gross margin increased 3.4 points to 28.3 percentage points of revenue.

Expenses

Total expenses in the fourth quarter were \$463 million compared to \$570 million last year; excluding special items, expenses increased \$9 million over \$453 million in the prior year. Goodwill amortization included in selling, general and administrative expense in the quarter was \$14 million compared with \$5 million in the year ago period. Research and development expenses were \$87 million, or 4.9 percent of revenue, versus \$94 million, or 5.3 percent of revenue, in the prior year.

Operating and Net Income

Operating income for the quarter was \$113 million compared with \$27 million operating loss a year ago. Excluding special items, operating income for the quarter was \$131 million compared to \$98 million a year ago. Other income in the quarter was \$18 million compared to \$97 million a year ago, which included a \$77 million significant gain on the sale of real estate. The effective tax rate for the quarter was 29.4 percent, reflecting success in progressively reducing the operating tax rate for the year, which was 33 percent in 2000 versus 38 percent in 1999.

Net income was \$90 million compared with \$235 million reported a year ago, which included a favorable tax valuation release of \$232 million. Reported earnings per basic share were \$0.93 and \$0.90 on a fully diluted basis compared to \$2.47 per basic share and \$2.44 per diluted share in the prior year. The weighted average number of shares outstanding on a fully diluted basis increased to 99.8 million in the fourth quarter from 96.2 million a year ago. Without the impacts of restructuring and other special items, net income would have been \$105 million, or \$1.05 per diluted share, in the fourth quarter and \$229 million, or \$2.34 per diluted share, for the full year, compared to \$73 million, or \$0.75 per diluted share, in the year-ago quarter and \$162 million, or \$1.61 per diluted share, for the prior year.

Special items, which impacted both 2000 and 1999 and are detailed on a separate exhibit, are summarized below:

2000 1999

Operating Income

- 1999 Restructuring

Initiative \$38 million of charges \$125 million charge

- Acquisitions-related \$27 million of charges

Other Income

- Significant Real Estate

Gains \$98 million of gains

Income Taxes

- Tax Valuation Allowance Release \$232 million credit

Balance Sheet

NCR ended the fourth quarter with \$357 million in cash and short-term investments, down from \$763 million on December 31, 1999, primarily as a result of acquisitions (\$319 million), share repurchases (\$110 million), and severance payments (approximately \$100 million) related to NCR's 1999 restructuring initiatives. Operating cash flow for the quarter and year was \$107 million and \$171 million, respectively. As of December 31, 2000, NCR had debt of \$107 million and total shareholders' equity of \$1.8 billion.

In addition to the \$181 million remaining on the October 1999 \$250 million repurchase authorization, NCR's board authorized a systematic repurchase program in December 2000 to actively manage the effects of the company's employee stock purchase and stock option programs. During the quarter, NCR repurchased approximately 1.8 million shares.

At the end of the fourth quarter, NCR employed approximately 32,900 people worldwide, including contractors, an increase of approximately 1,000 from 31,900 at the end of the third quarter. The increase is primarily due to the addition of employees associated with the acquisition of 4Front Technologies, Inc.

Outlook and Financial Guidance

For 2001, NCR will maintain its focus on revenue growth and increasing profitability from its key businesses. Supporting previous guidance, overall revenue growth is expected to be 5 percent, including:

- 20-25 percent increase for Data Warehousing
- 5 percent increase for the Financial Self Service and Customer Services Maintenance businesses
- 0-1 percent increase for Retail Store Automation
- Revenue decline from exited businesses of approximately \$250 million.

Momentum in the Data Warehousing and Financial Self Service businesses and the benefit from the 4Front Technologies Inc. acquisition support the overall growth target.

First quarter 2001 revenue growth is targeted at 2-4 percent, including 15-20 percent revenue growth from Data Warehousing. NCR's other key businesses -- Retail Store Automation, Financial Self Service, and Customer Services -- should generate revenue growth in the low single digits or higher in the first quarter. The company expects to have positive operating income in the quarter.

About NCR Corporation

NCR Corporation (NYSE: NCR) is a leader in providing Relationship Technology(TM) solutions to customers worldwide in the retail, financial, communications, manufacturing, 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 32,900 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.

Financial Information

Detailed financial information regarding NCR's fourth quarter and 2000 results is available on NCR's web site <http://www.ncr.com>. NCR 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 today at 10:00 A.M. (ET). Access is available from NCR's web site at http://www.ncr.com/investors/invest_rel.htm. A replay is accessible by calling (402) 220-0204 beginning at 11:30 A.M. (ET) today until 5:00 P.M. (ET) on January 26, 2001.

Note to Investors:

This news release contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, including statements as to anticipated or expected results, beliefs, opinions, and future financial performance. These forward-looking statements include projecting revenue and profit growth, and statements expressing comfort with analysts' earnings estimates. These forward-looking statements are based on current expectations and assumptions and involve known and unknown 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, but are not limited to, general economic and business conditions; 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; 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
(in millions, except per share amounts)

	For the Periods Ended December 31			
	Three Months		Twelve Months	
	2000	1999	2000	1999
Revenue				
Products	\$1,000	\$966	\$3,178	\$3,290
Services	792	795	2,781	2,906
Total Revenue	1,792	1,761	5,959	6,196
Cost of Products	631	621	2,000	2,099
Cost of Services	585	597	2,092	2,207
Total Gross Margin	576	543	1,867	1,890
% of Revenue	32.1%	30.8%	31.3%	30.5%
Selling, General and Administrative Expenses	376	476	1,329	1,471
Research and Development Expenses	87	94	333	341
Income/(Loss) from Operations	113	(27)	205	78
% of Revenue	6.3%	(1.5%)	3.4%	1.3%
Interest and Other Income (net)	18	97	70	157
Income Before Income Taxes	131	70	275	235
% of Revenue	7.3%	4.0%	4.6%	3.8%
Income Tax Expense/ (Benefit)	41	(165)	97	(102)
Net Income	\$90	\$235	\$178	\$337
% of Revenue	5.0%	13.3%	3.0%	5.4%
Net Income per Common Share				
Basic	\$0.93	\$2.47	\$1.87	\$3.45
Diluted	\$0.90	\$2.44	\$1.82	\$3.35
Weighted Average Common Shares Outstanding				
Basic	95.9	95.3	95.1	97.6
Diluted	99.8	96.2	98.0	100.6

Excluding Significant

Special Items				
Income from				
Operations	\$131	\$98	\$270	\$203
Net Income	\$105	\$73	\$229	\$162
Net Income per Common				
Share (Diluted)	\$1.05	\$0.75	\$2.34	\$1.61

Significant special items represent restructuring and other related charges (\$16 million in Q4 and \$38 million year-to-date) in connection with the action announced in October 1999, in-process research and development charges (\$25 million year-to-date), and one-time charges related to the integration of 4Front Technologies, Inc. (\$2 million in Q4 and year-to-date).

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

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

	For the Periods Ended December 31			
	Three Months		Twelve Months	
	2000	1999	2000	1999
Revenue	\$1,792	\$1,761	\$5,959	\$6,196
Gross Margin - base				
business	593	551	1,905	1,898
% of Revenue	33.1%	31.3%	32.0%	30.6%
Special items	(17)	(8)	(38)	(8)
Reported Gross Margin	576	543	1,867	1,890
% of Revenue	32.1%	30.8%	31.3%	30.5%
Expenses - base				
business	462	453	1,635	1,695
% of Revenue	25.8%	25.7%	27.4%	27.4%
Special items	1	117	27	117
Reported Expenses	463	570	1,662	1,812
% of Revenue	25.8%	32.4%	27.9%	29.2%
Income from Operations				
- base business	131	98	270	203
Special items	(18)	(125)	(65)	(125)
Reported Income/(Loss)				
from Operations	113	(27)	205	78
Other Income, net				
- base business	18	20	70	59
Special items	-	77	-	98
Reported Other Income	18	97	70	157
Income before Income				
Taxes - base				
business	149	118	340	262
Special items	(18)	(48)	(65)	(27)

Reported Income before Income Taxes	131	70	275	235
Income Taxes - base business	44	45	111	100
Income Taxes related to special items	(3)	(210)	(14)	(202)
Reported Income Taxes	41	(165)	97	(102)
Net Income - base business	105	73	229	162
Special items	(15)	162	(51)	175
Reported Net Income	\$90	\$235	\$178	\$337
Earnings per Diluted Share - base business	\$1.05	\$0.75	\$2.34	\$1.61
Earnings per Diluted Share - special items	\$(0.15)	\$1.69	\$(0.52)	\$1.74
Reported Earnings per Diluted Share	\$0.90	\$2.44	\$1.82	\$3.35

Significant special items represent restructuring and other related charges (\$16 million in Q4 and \$38 million year-to-date) in connection with the action announced in October 1999, in-process research and development charges (\$25 million year-to-date), and one-time charges related to the integration of 4Front Technologies, Inc. (\$2 million in Q4 and year-to-date).

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

	For the Periods Ended December 31					
	Three Months			Twelve Months		
	2000	1999	% Change	2000	1999	% Change
Revenue By Solution Offering						
Store Automation	\$296	\$260	14%	\$894	\$969	(8%)
Self Service/ATMs	369	352	5%	1,077	1,098	(2%)
Data Warehousing	288	241	20%	961	735	31%
Customer Services						
Maintenance:						
Store Automation	119	120	(1%)	465	466	(0%)
Self Service/ATMs	107	117	(9%)	434	467	(7%)
Data Warehousing	43	46	(7%)	173	165	5%
Payment and Imaging	30	30	0%	119	118	1%
Other	173	146	18%	560	584	(4%)
Total Customer Services						
Maintenance	472	459	3%	1,751	1,800	(3%)

Systemedia	137	154	(11%)	502	506	(1%)
Payment and Imaging	54	50	8%	185	206	(10%)
Other	176	245	(28%)	589	882	(33%)
Total Revenue	\$1,792	\$1,761	2%	\$5,959	\$6,196	(4%)

Operating Income/(Loss) - Including Customer Services Maintenance

Store Automation	\$17	\$(9)	-	\$(17)	\$20	-
Self Service/ATMs	81	69	-	201	224	-
Data Warehousing	(7)	(12)	-	(34)	(142)	-
Systemedia	4	15	-	15	30	-
Payment and Imaging	12	0	-	42	17	-
Other	24	35	-	63	54	-
Total Operating Income*	\$131	\$98	-	\$270	\$203	-

Goodwill Amortization

Reflected in Operating Income	\$14	\$5	-	\$33	\$20	-
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- Excludes significant special items.

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NCR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)

	December 31 2000	December 31 1999
Assets		
Current assets		
Cash and short-term investments	\$357	\$763
Accounts receivable, net	1,338	1,197
Inventories	288	299
Other current assets	251	282
Total Current Assets	2,234	2,541
Property, plant and equipment, net	960	1,002
Other assets	1,912	1,352
Total Assets	\$5,106	\$4,895
Liabilities and Stockholders' Equity		
Current liabilities		
Short-term borrowings	\$96	\$37
Accounts payable	521	378
Other current liabilities	1,218	1,247
Total Current Liabilities	1,835	1,662
Long-term debt	11	40
Other long-term liabilities	1,502	1,584
Total Liabilities	3,348	3,286
Total Stockholders' Equity	1,758	1,609
Total Liabilities and Stockholders' Equity	\$5,106	\$4,895

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NCR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	For the Periods Ended December 31			
	Three Months		Twelve Months	
	2000	1999	2000	1999
Operating Activities				
Net Income	\$90	\$235	\$178	\$337
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation and amortization	89	80	361	358
Net gain on sales of assets	4	(72)	(33)	(107)
Deferred income taxes	32	(187)	32	(187)
Purchased research and development from acquisitions	-	-	25	-
Changes in assets and liabilities				
Receivables	(141)	93	(80)	358
Inventories	39	94	28	85
Current payables	99	9	80	(41)
Deferred revenue and customer deposits	(35)	1	(42)	13
Timing of disbursements for employee severance and pension	(31)	10	(248)	(148)
Other assets and liabilities	(39)	(10)	(130)	(61)
Net Cash Provided by Operating Activities	107	253	171	607
Investing Activities				
Short-term investments, net	130	(72)	182	(165)
Net expenditures and proceeds for service parts	(32)	(30)	(108)	(104)
Expenditures for property, plant and equipment	(53)	(51)	(216)	(187)
Proceeds from sales of property, plant and equipment	1	151	173	240
Business acquisitions and investments	(248)	(32)	(319)	(32)
Other investing activities	(6)	(10)	(79)	(78)
Net Cash (Used in) Investing Activities	(208)	(44)	(367)	(326)
Financing Activities				
Purchase of Company common stock	(73)	(108)	(110)	(269)
Short-term borrowings, net	7	(25)	15	(13)
Long-term debt, net	(26)	7	(29)	7
Other financing activities	62	10	117	81
Net Cash (Used in) Financing Activities	(30)	(116)	(7)	(194)
Effect of exchange rate changes on cash and cash				

equivalents	(4)	2	(21)	(4)
(Decrease) Increase in				
Cash and Cash				
Equivalents	(135)	95	(224)	83
Cash and Cash Equivalents				
at Beginning of Period	482	476	571	488
Cash and Cash Equivalents				
at End of Period	\$347	\$571	\$347	\$571

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presentation. SOURCE NCR Corporation

CONTACT: Media, John Hourigan, 973-445-2078, or john.hourigan@ncr.com, or Investors, Gregg Swearingen, 937-445-4700, or gregg.swearingen@ncr.com; both of NCR/