



NCR Reports Strong Operating Performance

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DAYTON, Ohio, April 17 /PRNewswire/ -- NCR Corporation (NYSE: NCR) today announced strong operating performance for the first quarter ended March 31, 2001, including a 10 percent increase in revenue to \$1.38 billion. On a constant currency basis, revenue increased 13 percent. Operating income exceeded expectations.

The company reported net income of \$117 million, or \$1.18 per diluted share for the first quarter, including the effects of a favorable tax adjustment, the implementation of SFAS 133, integration charges related to the October 2000 acquisition of 4Front Technologies Inc., and the previously announced bad debt write-down related to an ATM customer. Excluding these items, operating earnings were \$22 million compared to a \$4 million operating loss in the year-ago quarter. Related net income and earnings per diluted share grew 83 percent to \$11 million and \$0.11, respectively.

Highlights for the quarter included:

- The 10 percent broad-based revenue growth was generated from all key solutions, including 21 percent in Data Warehousing, 18 percent in Retail Store Automation and 8 percent in Financial Self Service.
- Data Warehousing added new customers at a growth rate in excess of 20 percent over the prior year. Broad-based revenue growth across multiple regions and industries was led by significantly higher software and professional consulting services revenues.
- Retail Store Automation delivered strong earnings improvement, driven by productivity gains and excellent revenue growth led by new products.
- Financial Self Service experienced revenue growth across regions and market segments with improved profitability.
- A significant increase in high-availability services helped deliver strong growth in Customer Services.
- Overall, revenue growth was robust across regions with Americas up 8 percent, Europe/Middle East/Africa up 14 percent (20 percent on a constant currency basis) and Asia/Pacific (including Japan) up 8 percent (18 percent on a constant currency basis).
- Order activity was strong, resulting in good backlogs entering the second quarter.
- The \$26 million operating earnings improvement from a \$4 million loss in last year's first quarter was achieved despite \$13 million higher goodwill expense.
- Other Income/Expense was lower than anticipated primarily because of lower interest income.

Commenting on the company's first quarter performance, NCR chairman and CEO Lars Nyberg said, "I am extremely pleased with the strong operating performance delivered by each of our key solutions. The strength of our earnings this quarter clearly demonstrates that we are now a growth company and is particularly impressive since it was achieved in a challenging economic environment."

Nyberg added, "We continue to see good momentum in each of our key businesses, but we are not immune to an economic slow-down. However, given the current environment, we believe we can meet our targets."

Revenue

Worldwide revenues increased 10 percent in the quarter to \$1.38 billion compared to \$1.26 billion in the year-ago period. By solution, Data Warehousing sustained strong revenue growth, increasing 21 percent to \$236 million against a strong prior-year first quarter. Retail Store Automation revenue grew 18 percent, Financial Self Service revenues increased 8 percent and Customer Services Maintenance revenues improved 7 percent over the prior-year first quarter. Both Systemmedia and Payment and Imaging revenues increased 2 percent over the prior-year quarter. Other revenues increased 3 percent to \$126 million from \$122 million, as declines in the exited solutions were more than offset by growth in high-availability services. Currency had a negative 3 percent impact on overall revenues; growth in each of the three key solutions was negatively impacted by at least 4 percent.

Gross Margin

Reported gross margin was 29.8 percent of revenues, up 1.3 points over last year's first quarter gross margin of 28.5 percent. Excluding special items, gross margin for the first quarter increased 0.3 points to 29.9 percent. Product gross margin increased 0.8 points to 35.9 percent, while services gross margin decreased 0.2 points to 23.8 percent.

Expenses

Total reported expenses in the first quarter were \$429 million compared to \$376 million in the previous year. Excluding special items, expenses increased \$14 million over the \$375 million of expense incurred in the prior-year period. Expense reductions from successful productivity initiatives were offset by incremental expenses and goodwill associated with recent acquisitions. Acquisition-related goodwill amortization included in selling, general and administrative expense in the quarter increased to \$16 million, compared with \$3 million in the year-ago period. Research and development expenses were \$76 million, or 5.5 percent of revenue, versus \$70 million, or 5.6 percent of revenue, in the prior-year period.

Operating and Net Income

NCR reported an operating loss of \$19 million for the first quarter of 2001. Excluding \$2 million of integration charges related to the 4Front Technologies acquisition and a previously disclosed \$39 million charge related to loans and receivables from Credit Card Center (CCC), NCR's operating income was \$22 million in the current quarter compared to a \$4 million operating loss in the year-ago period.

In Other Income/Expense, excluding \$1 million of CCC-related charges, NCR incurred other expense of \$6 million in the first quarter compared to other income of \$13 million in the first quarter of 2000. The decrease in other income was driven largely by lower interest income, as a result of the use of cash for acquisitions and share repurchases.

Reported net income was \$117 million, or \$1.18 per diluted share compared to a net loss of \$5 million, or a loss of \$0.05 per diluted share in the prior-year quarter. Before special items, net income was \$11 million, or \$0.11 per diluted share, compared to \$6 million, or \$0.06 per diluted share in the first quarter of 2000. Excluding goodwill charges, earnings per diluted share would have been \$0.28 versus \$0.10 in the prior-year period.

Excluding special items, the tax rate for the quarter was 33 percent. During the first quarter of 2001, the company recorded a \$138 million adjustment to its tax provisions following the successful conclusion of a tax audit of its 1993-94 international operations. In addition, a net-of-tax \$4 million charge for the cumulative effect of the implementation of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was recognized. These items are not included in the \$11 million of net income, before special items.

The weighted average number of shares outstanding on a fully diluted basis increased to 99.3 million in the first quarter from 96.5 million a year ago.

Balance Sheet

NCR ended the first quarter of 2001 with \$325 million in cash and short-term investments, down from \$357 million on December 31, 2000, primarily the result of share repurchases during the quarter. As of March 31, 2001, NCR had debt of \$133 million and total shareholders' equity of \$1.9 billion.

During the quarter, the company repurchased approximately 450,000 shares of its stock for approximately \$20 million as part of the systematic repurchase program authorized in December 2000. In addition, there is approximately \$181 million remaining under the authorization received from NCR's Board of Directors in October 1999.

At the end of the first quarter, NCR employed approximately 33,200 people worldwide, including contractors, up 300 from 32,900 at the end of the fourth quarter of 2000.

Outlook and Financial Guidance

Second quarter 2001 revenue growth is targeted at 5 percent, including 15-20 percent revenue growth from Data Warehousing. Retail Store Automation, Financial Self Service, and Customer Services should generate revenue growth in the low single-digits in the second quarter. NCR is targeting 20 percent growth in operating income for the second quarter; however, other income will be minimal.

The company expects interest and other income to improve in the second half of the year but only anticipates \$20 million for the full year. NCR is comfortable with the current range of analysts' earnings-per-share estimates; based on these ranges, analysts' consensus estimates for full-year earnings per share is \$2.64.

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 33,200 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 Chief Executive Officer Lars Nyberg and NCR 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://www.ncr.com/investors/invest_rel.htm.

NCR has scheduled its annual analyst and investor meeting to be held from 8:00 a.m. until 12:00 p.m. on July 24, 2001 at the Hudson Theatre, 145 West 44th Street, New York, NY. NCR's management team will discuss the current state of its businesses and share its strategic vision for the future. To register your attendance for this meeting, please call (937) 445-5905.

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. These forward-looking statements include any projections of revenue, profit growth and other financial items, future economic performance and statements expressing comfort with analysts' earnings estimates. 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)

	Three Months Ended March 31	
	2001	2000
Revenue		
Products	\$690	\$629
Services	686	626
Total Revenue	1,376	1,255
Cost of Products	442	412
Cost of Services	524	485
Total Gross Margin	410	358
% of Revenue	29.8%	28.5%
Selling, General and Administrative Expenses	353	306
Research and Development Expenses	76	70
(Loss) from Operations	(19)	(18)
% of Revenue	(1.4%)	(1.4%)
Interest and Other Income/(Expense), Net	(7)	13
(Loss) before Income Taxes and Cumulative Effect of Accounting Change	(26)	(5)
% of Revenue	(1.9%)	(0.4%)
Income Tax Expense/(Benefit)	(147)	0
Income/(Loss) before Cumulative Effect of Accounting Change	121	(5)
Cumulative Effect of Accounting Change, Net of Tax (SFAS 133)	(4)	-
Net Income/(Loss)	\$117	\$(5)
% of Revenue	8.5%	(0.4%)
Net Income/(Loss) per Common Share		
Basic before Cumulative Effect of Accounting Change	\$1.26	\$(0.05)
Cumulative Effect of Accounting Change (SFAS 133)	(0.04)	-
Basic	\$1.22	\$(0.05)
Diluted before Cumulative Effect of Accounting Change	\$1.22	\$(0.05)
Cumulative Effect of Accounting Change (SFAS 133)	(0.04)	-
Diluted	\$1.18	\$(0.05)
Weighted Average Common Shares Outstanding		
Basic	95.7	93.9
Diluted	99.3	96.5

2001 - Significant special items represent charges related to the write-

down of loans and receivables with Credit Card Center (\$40 million), integration charges related to the acquisition of 4Front Technologies, Inc. (\$2 million), the release of prior-year tax exposure reserves (\$138 million), and the after-tax, cumulative effect of adopting SFAS 133 (\$4 million).

2000 - Significant special items represent restructuring and other related charges (\$14 million) in connection with the 1999 restructuring plan.

Certain prior-year amounts have been reclassified to conform to the 2001 presentation.

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

	Three Months Ended March 31	
	2001	2000
Revenue	\$1,376	\$1,255
Gross Margin - base business	411	371
% of Revenue	29.9%	29.6%
Special items	(1)	(13)
Reported Gross Margin	410	358
% of Revenue	29.8%	28.5%
Expenses - base business	389	375
% of Revenue	28.3%	29.9%
Special items	40	1
Reported Expenses	429	376
% of Revenue	31.2%	30.0%
Income/(Loss) from Operations- base business	22	(4)
Customer receivable write-down	(39)	-
Special items	(2)	(14)
Reported (Loss) from Operations	(19)	(18)
Other Income/(Expense), Net - base business	(6)	13
Customer receivable write-down	(1)	-
Reported Other Income/(Expense)	(7)	13
Income before Income Taxes - base business	16	9
Special items	(42)	(14)
Reported (Loss) before Income Taxes and Cumulative Effect of Accounting Change	(26)	(5)
Income Taxes - base business	5	3
Income Taxes related to special items	(152)	(3)
Reported Income Tax Expense/(Benefit)	(147)	0
Cumulative Effect of Accounting Change, Net of Tax (SFAS 133)	(4)	-
Net Income - base business	11	6
Special items	106	(11)

Reported Net Income/(Loss)	\$117	\$(5)
Earnings per Diluted Share - base business	\$0.11	\$0.06
Earnings per Diluted Share - special items	\$1.07	\$(0.11)
Reported Earnings per Diluted Share	\$1.18	\$(0.05)

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

Revenue By Solution Offering	Three Months Ended March 31		
	2001	2000	% Change
Data Warehousing	\$236	\$195	21%
Financial Self Service	217	201	8%
Retail Store Automation	178	151	18%
Customer Services Maintenance:			
Data Warehousing	46	44	5%
Financial Self Service	119	110	8%
Retail Store Automation	108	115	(6%)
Payment and Imaging	30	29	3%
Other	157	132	19%
Total Customer Services Maintenance	460	430	7%
Systemedia	116	114	2%
Payment and Imaging	43	42	2%
Other	126	122	3%
Total Revenue	\$1,376	\$1,255	10%

Operating Income/(Loss) - Including
Customer Services Maintenance

Data Warehousing	\$(10)	\$(19)	-
Financial Self Service	35	19	-
Retail Store Automation	(13)	(27)	-
Systemedia	(1)	4	-
Payment and Imaging	12	7	-
Other	(1)	12	-
Total Operating Income/(Loss)*	\$22	\$(4)	-

Goodwill Amortization Reflected in Operating Income	\$16	\$3	-
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*Excludes significant special items.

Certain prior-year amounts have been reclassified to conform to the 2001 presentation.

NCR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)

	March 31 2001 (Unaudited)	December 31 2000
Assets		
Current assets		
Cash and short-term investments	\$325	\$357
Accounts receivable, net	1,092	1,338
Inventories	329	288
Other current assets	250	251
Total Current Assets	1,996	2,234
Property, plant and equipment, net	949	960
Other assets	1,851	1,912
Total Assets	\$4,796	\$5,106
Liabilities and Stockholders' Equity		
Current liabilities		
Short-term borrowings	\$123	\$96
Accounts payable	406	521
Other current liabilities	1,054	1,218
Total Current Liabilities	1,583	1,835
Long-term debt	10	11
Other long-term liabilities	1,332	1,502
Total Liabilities	2,925	3,348
Total Stockholders' Equity	1,871	1,758
Total Liabilities and Stockholders' Equity	\$4,796	\$5,106

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

	Three Months Ended March 31 2001	2000
Operating Activities		
Net Income/(Loss)	\$117	\$(5)
Adjustments to reconcile net income to cash provided by (used in) operating activities		
Depreciation and amortization	105	94
Net gain on sales of assets	1	1
Deferred income taxes	(131)	2
Changes in assets and liabilities		
Receivables	248	74
Inventories	(40)	12
Current payables	(184)	(136)
Customer deposits and deferred service revenue	88	134
Timing of disbursements for employee severance and pension	(59)	(69)
Other assets and liabilities	(122)	(83)
Net Cash Provided by Operating Activities	23	24

Investing Activities		
Short-term investments, net	(10)	(20)
Net expenditures and proceeds for service parts	(25)	(31)
Expenditures for property, plant and equipment	(53)	(64)
Proceeds from sales of property, plant and equipment	2	23
Business acquisitions and investments	(3)	(25)
Other investing activities	(7)	(27)
Net Cash (Used in) Investing Activities	(96)	(144)
Financing Activities		
Purchase of Company common stock	(34)	(2)
Short-term borrowings, net	27	2
Long-term debt, net	(1)	(2)
Other financing activities	34	24
Net Cash Provided by Financing Activities	26	22
Effect of exchange rate changes on cash and cash equivalents	5	(15)
(Decrease) in Cash and Cash Equivalents	(42)	(113)
Cash and Cash Equivalents at Beginning of Period	347	571
Cash and Cash Equivalents at End of Period	\$305	\$458

Certain prior-year amounts have been reclassified to conform to the 2001

presentation. SOURCE NCR Corporation

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