

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT: July 15, 1998

NCR CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

| | | |
|------------------------------|---------------|---------------------|
| MARYLAND | 001-00395 | 31-0387920 |
| (STATE OR OTHER JURISDICTION | (COMMISSION | (I.R.S. EMPLOYER |
| OF INCORPORATION) | FILE NUMBER) | IDENTIFICATION NO.) |

1700 S. PATTERSON BLVD., DAYTON, OH 45479
(937) 445-5000
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING
AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

Item 5. Other Events

The Registrant's news release dated July 15, 1998, with respect to its financial results for the quarter ended June 30, 1998, including condensed consolidated balance sheets as of June 30, 1998, and condensed consolidated statements of operations, consolidated revenue summary, and condensed consolidated statements of cash flows for the three and six month periods ended June 30, 1998, is attached and incorporated herein by reference.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NCR Corporation

Date: July 16, 1998

By: /s/ John L. Giering

John L. Giering, Senior
Vice President and Chief
Financial Officer

News Release

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For Release on Wednesday July 15, 1998

NCR Reports Second-Quarter Net Income of \$48 Million;

Operating Profit of \$23 Million

DAYTON, Ohio - Building on positive first-quarter financial results, NCR Corporation today announced \$23 million in income from operations for the second quarter ended June 30, 1998. This is a \$42 million improvement in operating

profit over the same period in 1997. Income before taxes in the second quarter increased to \$92 million from \$2 million in the same period in 1997. Income before taxes includes the favorable impact of a pre-tax gain of \$55 million from the sale of NCR's TOP END enterprise middleware technology and product family to BEA Systems, Inc. Net income for the second quarter of 1998 was \$48 million compared to a loss of \$4 million in the comparable period last year. Earnings per share jumped to \$.47 and \$.46 on a basic and diluted basis, respectively, as compared to a loss of \$.04 per share a year ago.

Gross margin in the quarter, as a percentage of revenue, rose to 30 percent, an increase of 2.2 percentage points over the same period last year.

Revenue in the quarter was \$1.574 billion, a decline of 4 percent compared to the \$1.645 billion reported in the comparable period last year. Revenue was flat on a local currency basis. Total orders posted a mid-single digit decline in the quarter compared to the same period last year, but increased slightly on a local currency basis.

"The strong improvement in operating income, driven by better gross margins and continuing expense discipline, demonstrates we have made the right strategic changes to be profitable," said NCR Chairman and CEO Lars Nyberg. "Our improvement is also a result of our moving away from low-margin, commodity hardware sales to a higher value mix of data warehousing, consulting services, and hardware. We remain optimistic about year-over-year improvements despite ongoing currency pressures and the economic situation in Japan and the Asia/Pacific area," he said.

Orders -----

Total NCR orders were down compared to year-ago levels by a mid-single digit percentage. Single digit gains in financial products and scalable data warehouse products and double digit gains in professional service orders were offset by double digit declines in retail and other computer products. Orders increased in Europe/Middle East/Africa, but were down in the Americas, Japan and Asia/Pacific regions.

Revenue -----

Worldwide revenue declined 4 percent on a dollar reported basis and was flat on a local currency basis. Revenue increases of 22 percent in scalable data warehousing were offset by decreases of 14 percent and 6 percent, respectively, in retail and financial products. Systemedia revenue declined one percent, while customer support and professional services revenues declined one and two percent, respectively. On a local currency basis, customer support and professional services revenues increased three and four percent, respectively. Revenue for other computer products declined 18 percent. On a geographic basis, revenue increased in the Americas and Europe/Middle East/Africa, but declined in Japan and the Asia/Pacific regions.

Gross Margin -----

Total gross margin for NCR products and services increased 2.2 percentage points to 30 percent from 27.8 percent in last year's second quarter. Products and systems gross margin increased 3.6 percentage points of revenue, while services gross margin increased 0.6 percentage points of revenue.

Expenses -----

Total expenses in the second quarter were \$449 million in the quarter compared to \$477 million in the period a year ago, a decline of six percent. Selling, general and administrative expenses were \$359 million, or 22.8 percent of revenue in the quarter, compared to \$381 million, or 23.2 percent of revenue a year ago. Research and development expenses were \$90 million, or 5.7 percent of revenue, versus \$96 million, or 5.8 percent of revenue, last year. Reductions in R&D continue to be achieved through increased use of standard industry components. A portion of the R&D savings were re-invested in software development in support of the Company's customer solutions.

Other Income

In the quarter, NCR recorded a pre-tax gain of \$55 million in other income from the sale of its TOP END middleware product to BEA Systems.

Income Taxes

Income tax expense in the quarter was \$44 million, based on an annual effective tax rate of 47.5 percent, compared to \$6 million in the year ago period.

Balance Sheet

NCR ended the second quarter in a strong financial position with \$770 million in cash and short-term investments, down from \$1.129 billion at the end of 1997. This decrease is largely due to the purchase of the minority interest in NCR's Japanese subsidiary and an ongoing common stock repurchase program. During the quarter the company spent \$78 million to repurchase 2.2 million shares of NCR stock and \$271 million to raise its ownership of NCR Japan to over 97 percent from 70 percent. At June 30, 1998, NCR had debt of \$102 million and total shareholders' equity of \$1.338 billion.

As of June 30, 1998, NCR employed 35,000 people worldwide, including contractors, a decline of 2,400 people from March 31, 1998. Approximately half of the decline is attributable to

employees who transferred to Solectron when that company acquired the manufacturing assets of NCR's retail and computer systems groups.

NCR Corporation (NYSE: NCR) is a recognized world leader in scalable data warehousing, self-service and store automation solutions for the retail, financial and communications industries and other select markets. NCR's solutions are built on the foundation of the company's long-established industry knowledge and consulting expertise, value-adding software, world-leading hardware technology, global customer support services and a complete line of consumable and media products. More information about NCR and its products can be found on the World Wide Web at: <http://www.ncr.com>.

Financial Information

Detailed financial information regarding NCR's second quarter results is available on the Internet: <http://www.ncr.com>. NCR's senior vice president and Chief Financial Officer, John Giering, will discuss the company's financial performance in a taped broadcast.

Access is available beginning at 11:30 A.M. (EDT) today continuing until 5:00 P.M. (EDT) on July 17, 1998. The broadcast can be accessed by calling (402) 220-5185.

NOTE TO INVESTORS:
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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 | |
| | 1998 | 1997 | 1998 | 1997 |
| Revenues | | | | |
| Sales | \$ 861 | \$ 925 | \$1,520 | \$1,644 |
| Services | 713 | 720 | 1,363 | 1,390 |
| Total Revenues | 1,574 | 1,645 | 2,883 | 3,034 |
| Cost of sales | 566 | 641 | 1,024 | 1,124 |
| Cost of services | 536 | 546 | 1,033 | 1,052 |
| Gross Margin | 472 | 458 | 826 | 858 |
| % of Revenue | 30.0% | 27.8% | 28.7% | 28.3% |
| Selling, general and administrative expenses | 359 | 381 | 667 | 712 |
| % of Revenue | 22.8% | 23.2% | 23.1% | 23.5% |
| Research and development expenses | 90 | 96 | 170 | 183 |
| % of Revenue | 5.7% | 5.8% | 5.9% | 6.0% |
| Income (Loss) from Operations | 23 | (19) | (11) | (37) |
| % of Revenue | 1.5% | -1.2% | -0.4% | -1.2% |
| Interest expense | 4 | 4 | 7 | 6 |
| Other (income) expense, net | (73) | (25) | (110) | (30) |
| Income (Loss) Before Income Taxes | 92 | 2 | 92 | (13) |
| % of Revenue | 5.8% | 0.1% | 3.2% | -0.4% |
| Income tax expense | 44 | 6 | 44 | 7 |
| Net Income (Loss) | \$ 48 | \$ (4) | \$ 48 | \$ (20) |
| % of Revenue | 3.0% | -0.2% | 1.7% | -0.7% |
| Net Income (Loss) per Common Share | | | | |
| Basic | \$ 0.47 | \$ (0.4) | \$ 0.47 | \$ (0.20) |
| Diluted | \$ 0.46 | \$ (0.4) | \$ 0.46 | \$ (0.20) |
| Weighted Average Common Shares Outstanding | | | | |
| Basic | 102.6 | 102.1 | 102.9 | 101.8 |
| Diluted | 104.1 | 102.1 | 104.0 | 101.8 |

Certain prior year amounts have been reclassified to conform to the 1998 presentation.

NCR CORPORATION
CONSOLIDATED REVENUE SUMMARY
(Unaudited)
(in millions)

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---------------------------|----------------------------|---------|--------------------------|---------|
| | 1998 | 1997 | 1998 | 1997 |
| By Product Line | | | | |
| Retail Products | \$ 115 | \$ 134 | \$ 199 | \$ 214 |
| Financial Products | 260 | 278 | 459 | 449 |
| Scalable Data Warehousing | | | | |
| Products | 107 | 88 | 175 | 174 |
| Other Computer Products | 235 | 286 | 432 | 529 |
| Systemedia | 128 | 129 | 238 | 248 |
| Customer Support Services | 534 | 539 | 1,038 | 1,047 |
| Professional Services | 151 | 154 | 269 | 287 |
| Other Products & Services | 44 | 37 | 73 | 86 |
| | ----- | ----- | ----- | ----- |
| Total Revenues | \$1,574 | \$1,645 | \$2,883 | \$3,034 |
| | ===== | ===== | ===== | ===== |

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|-----------------------------|----------------------------|---------|--------------------------|---------|
| | 1998 | 1997 | 1998 | 1997 |
| By Industry/Customer Served | | | | |
| Retail Industry | \$ 355 | \$ 360 | \$ 624 | \$ 626 |
| Financial Industry | 695 | 725 | 1,255 | 1,278 |
| Communications Industry and | | | | |
| National Accounts | 365 | 364 | 673 | 726 |
| Systemedia | 128 | 129 | 238 | 248 |
| Other | 31 | 67 | 93 | 156 |
| | ----- | ----- | ----- | ----- |
| Total Revenues | \$1,574 | \$1,645 | \$2,883 | \$3,034 |
| | ===== | ===== | ===== | ===== |

Certain prior year amounts have been reclassified to conform to the 1998 presentation.

NCR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)

| | June 30 1998 | December 31 1997 | June 30 1997 |
|--------------------------------------|-----------------|---------------------|-----------------|
| | (Unaudited) | | (Unaudited) |
| Assets | | | |
| Current assets | | | |
| Cash and short-term investments | \$ 770 | \$1,129 | \$1,156 |
| Accounts receivable, net | 1,472 | 1,471 | 1,446 |
| Inventories | 451 | 489 | 517 |
| Other current assets | 207 | 182 | 244 |
| | ----- | ----- | ----- |
| Total Current Assets | 2,900 | 3,271 | 3,363 |
| Property, plant and equipment, net | 1,101 | 1,106 | 1,146 |
| Other assets | 1,021 | 916 | 776 |
| | ----- | ----- | ----- |
| Total Assets | \$5,022 | \$5,293 | \$5,285 |
| | ===== | ===== | ===== |
| Liabilities and Shareholders' Equity | | | |
| Current liabilities | | | |
| Short-term borrowings | \$ 69 | \$ 59 | \$ 56 |
| Accounts payable | 304 | 378 | 303 |
| Other current liabilities | 1,522 | 1,527 | 1,581 |

| | | | |
|--|---------|---------|---------|
| Total Current Liabilities | 1,895 | 1,964 | 1,940 |
| Long-term debt | 33 | 35 | 36 |
| Other long-term liabilities | 1,756 | 1,941 | 1,879 |
| Total Liabilities | 3,684 | 3,940 | 3,855 |
| Total Shareholders' Equity | 1,338 | 1,353 | 1,430 |
| Total Liabilities and Shareholders' Equity | \$5,022 | \$5,293 | \$5,285 |

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

| | For the Periods Ended June 30 | | | |
|--|-------------------------------|--------|------------|---------|
| | Three Months | | Six Months | |
| | 1998 | 1997 | 1998 | 1997 |
| Operating Activities | | | | |
| Net income (loss) | \$ 48 | \$ (4) | \$ 48 | \$ (20) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 87 | 94 | 184 | 186 |
| Net gain on sales of assets | (55) | - | (55) | - |
| Changes in operating assets and liabilities: | | | | |
| Receivables | (109) | (110) | 7 | 11 |
| Inventories | 7 | 18 | (49) | (78) |
| Other | (95) | 78 | (228) | (25) |
| Net Cash Provided by (Used in) Operating Activities | (117) | 76 | (93) | 74 |
| Investing Activities | | | | |
| Short-term investments, net | 142 | (40) | 66 | (277) |
| Expenditures for service parts and property, plant and equipment | (54) | (101) | (148) | (149) |
| Acquisition of minority interest in subsidiary | (271) | - | (271) | - |
| Proceeds from sales of facilities and other assets | 172 | - | 172 | - |
| Other investing activities | 3 | 9 | 25 | 15 |
| Net Cash Provided by (Used in) Investing Activities | (8) | (132) | (156) | (411) |
| Financing Activities | | | | |
| Treasury stock acquired | (78) | - | (78) | - |
| Short-term borrowings, net | (2) | 12 | 10 | 28 |
| Long-term debt, net | (2) | (8) | (2) | (12) |
| Other financing activities | 22 | 18 | 39 | 18 |
| Net Cash Provided by (Used in) Financing Activities | (60) | 22 | (31) | 34 |
| Effect of exchange rate changes on cash and cash equivalents | (9) | 17 | (13) | (21) |
| Increase (Decrease) in Cash and Cash Equivalents | (194) | (17) | (293) | (324) |
| Cash and Cash Equivalents at Beginning of Period | 787 | 856 | 886 | 1,163 |
| Cash and Cash Equivalents at End of Period | \$ 593 | \$ 839 | \$ 593 | \$ 839 |