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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

Commission File Number 001-00395

NCR CORPORATION  
(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of  
incorporation or organization)

31-0387920  
(I.R.S. Employer  
Identification No.)

1700 South Patterson Blvd.  
Dayton, Ohio 45479  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (937) 445-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No   
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Number of shares of common stock, \$0.01 par value per share, outstanding as of July 31, 2001 was 97,167,075.

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Part I. Financial Information

Item 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)  
In millions, except per share amounts

	For the Periods Ending June 30			
	Three Months		Six Months	
	2001	2000	2001	2000
Revenue				
Products	\$ 774	\$ 771	\$ 1,464	\$ 1,400
Services	725	677	1,411	1,303
Total Revenue	1,499	1,448	2,875	2,703
Cost of products	495	471	937	883
Cost of services	541	507	1,065	992
Selling, general and administrative expenses	327	328	680	634
Research and development expenses	77	99	153	169
Total Operating Expenses	1,440	1,405	2,835	2,678
Income from Operations	59	43	40	25
Interest (expense)	(6)	(3)	(10)	(5)
Other income/(expense), net	-	24	(3)	39
Income Before Income Taxes and Cumulative Effect of Accounting Change	53	64	27	59
Income tax expense/(benefit)	18	25	(129)	25
Income before cumulative effect of accounting change	35	39	156	34
Cumulative effect of accounting change, net of tax (SFAS 133)	-	-	(4)	-
Net Income	\$ 35	\$ 39	\$ 152	\$ 34
Net Income per Common Share				
Basic before cumulative effect of accounting change	\$ 0.36	\$ 0.41	\$ 1.62	\$ 0.36
Cumulative effect of accounting change	-	-	(0.04)	-
Basic	\$ 0.36	\$ 0.41	\$ 1.58	\$ 0.36
Diluted before cumulative effect of accounting change	\$ 0.35	\$ 0.39	\$ 1.57	\$ 0.35
Cumulative effect of accounting change	-	-	(0.04)	-
Diluted	\$ 0.35	\$ 0.39	\$ 1.53	\$ 0.35
Weighted Average Common Shares Outstanding				
Basic	96.7	95.4	96.2	94.6
Diluted	100.3	98.8	99.8	97.7

See Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)  
In millions, except per share amounts

	June 30 2001	December 31 2000
	-----	-----
<b>Assets</b>		
<b>Current assets</b>		
Cash, cash equivalents and short-term investments	\$ 327	\$ 357
Accounts receivable, net	1,060	1,338
Inventories	309	288
Other current assets	247	251
	-----	-----
<b>Total Current Assets</b>	<b>1,943</b>	<b>2,234</b>
Reworkable service parts, net	230	218
Property, plant and equipment, net	705	742
Other assets	1,899	1,912
	-----	-----
<b>Total Assets</b>	<b>\$ 4,777</b>	<b>\$ 5,106</b>
	=====	=====
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Short-term borrowings	\$ 131	\$ 96
Accounts payable	386	521
Payroll and benefits liabilities	210	260
Customer deposits and deferred service revenue	372	344
Other current liabilities	373	615
	-----	-----
<b>Total Current Liabilities</b>	<b>1,472</b>	<b>1,836</b>
Long-term debt	12	11
Pension and indemnity liabilities	321	332
Postretirement and postemployment benefits liabilities	414	466
Other liabilities	566	676
Minority interests	24	27
	-----	-----
<b>Total Liabilities</b>	<b>2,809</b>	<b>3,348</b>
	-----	-----
<b>Commitments and Contingencies (Note 5)</b>		
<b>Stockholders' Equity</b>		
Preferred stock: par value \$0.01 per share, 100.0 shares authorized, no shares issued or outstanding at June 30, 2001 and December 31, 2000, respectively	-	-
Common stock: par value \$0.01 per share, 500.0 shares authorized, 97.1 and 95.2 shares issued and outstanding at June 30, 2001 and December 31, 2000, respectively	1	1
Paid-in capital	1,207	1,156
Retained earnings	796	644
Accumulated other comprehensive income	(36)	(43)
	-----	-----
<b>Total Stockholders' Equity</b>	<b>1,968</b>	<b>1,758</b>
	-----	-----
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 4,777</b>	<b>\$ 5,106</b>
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
In millions

	Six Months Ended June 30 2001	2000
	-----	-----
Operating Activities		
Net Income	\$ 152	\$ 34
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	210	185
Deferred income taxes	(128)	18
Net gain on sales of assets	(3)	(21)
Purchased research and development from acquisitions	-	24
Changes in assets and liabilities:		
Receivables	295	37
Inventories	(20)	-
Current payables	(204)	(106)
Customer deposits and deferred service revenue	28	57
Employee severance and pension including the timing of disbursements	(131)	(144)
Other assets and liabilities	(151)	(101)
Net Cash Provided by (Used in) Operating Activities	----- 48	----- (17)
Investing Activities		
Short-term investments, net	(17)	36
Net expenditures and proceeds for service parts	(62)	(63)
Expenditures for property, plant and equipment	(89)	(109)
Proceeds from sales of property, plant and equipment	8	59
Business acquisitions and investments	(3)	(56)
Other investing activities, net	(18)	(36)
Net Cash (Used in) Investing Activities	----- (181)	----- (169)
Financing Activities		
Purchase of Company common stock	(34)	(4)
Short-term borrowings, net	34	-
Long-term debt, net	1	(3)
Other financing activities	71	41
Net Cash Provided by Financing Activities	----- 72	----- 34
Effect of exchange rate changes on cash and cash equivalents	14	(13)
(Decrease) in Cash and Cash Equivalents	(47)	(165)
Cash and Cash Equivalents at Beginning of Period	347	571
Cash and Cash Equivalents at End of Period	\$ 300 =====	\$ 406 =====

See Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared by NCR Corporation (NCR or the Company) without audit pursuant to the rules and regulations of the Securities and Exchange Commission and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated results of operations, financial position, and cash flows for each period presented. The consolidated results for interim periods are not necessarily indicative of results to be expected for the full year. These financial statements should be read in conjunction with NCR's 2000 Annual Report to Stockholders and Form 10-K for the year ended December 31, 2000 and Form 10-Q for the quarter ended March 31, 2001.

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

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141) and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142).

SFAS 141, which supersedes APB Opinion No. 16, "Business Combinations" and Statement of Financial Accounting Standards No. 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises", requires that all business combinations entered into after the effective date of July 1, 2001 be accounted for by the purchase method, defines criteria for recognition of intangible assets apart from goodwill, and further defines disclosure requirements for business combinations. NCR does not expect this standard to have any impact on the Company's consolidated financial position, results of operations and cash flows.

SFAS 142, which supersedes APB Opinion No. 17, "Intangible Assets", defines new accounting treatment for goodwill and other intangible assets. This standard eliminates the amortization of goodwill and other intangible assets that have indefinite lives, establishes a requirement that goodwill and intangible assets with indefinite lives be tested annually for impairment, provides specific guidance on such testing, and requires disclosures of information about goodwill and other intangible assets in the years subsequent to their acquisition that was not previously required. SFAS 142 is effective for fiscal years beginning after December 15, 2001; however, consistent with the requirements of the standard, goodwill and intangible assets acquired after June 30, 2001 will be immediately subject to the new provisions. The Company will evaluate goodwill under the SFAS 142 transitional impairment test and has not determined whether or not there will be an impairment loss. Any transitional impairment loss will be recognized as a change in accounting principle. In the first fiscal year of adoption (beginning January 1, 2002), the Company expects to recognize annual amortization expense savings of approximately \$70 million to \$80 million, of which \$8 million to \$10 million will impact other expense.

3. SUPPLEMENTAL FINANCIAL INFORMATION (in millions)

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Comprehensive Income / (Loss)				
Net Income	\$ 35	\$ 39	\$ 152	\$ 34
Other comprehensive income/(loss), net of tax:				
Unrealized gain/(loss) on securities	1	(24)	7	(32)
Unrealized gain on derivatives	8	-	14	-
Additional minimum pension liability	-	-	(6)	6
Currency translation adjustments	1	(4)	(8)	(14)
Total comprehensive income / (loss)	\$ 45	\$ 11	\$ 159	\$ (6)

	June 30 2001	December 31 2000
	-----	-----
Cash, Cash Equivalents and Short-Term Investments		
Cash and equivalents	\$ 300	\$ 347
Short-term investments	27	10
	-----	-----
Total cash, cash equivalents and short-term investments	\$ 327	\$ 357
	=====	=====
Inventories		
Work in process and raw materials	\$ 78	\$ 69
Finished goods	231	219
	-----	-----
Total inventories	\$ 309	\$ 288
	=====	=====

#### 4. SEGMENT INFORMATION

NCR categorizes its operations into six reportable operating segments: Data Warehousing, Financial Self Service, Retail Store Automation, Systemedia, Payment and Imaging, and Other. Each of these segments includes hardware, software, professional consulting, customer support and maintenance services, and third party applications and technologies. Customer support services include staging and implementation services, networking, multi-vendor integration services, consulting services, solution-specific support services and outsourcing solutions.

The following tables present data for revenue and operating income by operating segment for the periods ended June 30 (in millions):

	Three Months Ended June 30		Six Months Ended June 30	
	-----		-----	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenue				
Data Warehousing	\$ 300	\$ 292	\$ 582	\$ 531
Financial Self Service	388	359	724	670
Retail Store Automation	330	320	616	586
Systemedia	125	128	241	242
Payment and Imaging	76	76	149	147
Other	280	273	563	527
	-----	-----	-----	-----
Consolidated Revenue	\$ 1,499	\$ 1,448	\$ 2,875	\$ 2,703
	=====	=====	=====	=====

	Three Months Ended June 30		Six Months Ended June 30	
	-----		-----	
	2001	2000	2001	2000
	-----	-----	-----	-----
Operating Income				
Data Warehousing	\$ (8)	\$ 4	\$ (18)	\$ (15)
Financial Self Service	61	52	96	71
Retail Store Automation	(3)	(13)	(16)	(40)
Systemedia	3	4	2	8
Payment and Imaging	11	12	23	19
Other	(3)	12	(4)	24
Special Items (1)	(2)	(28)	(43)	(42)
	-----	-----	-----	-----
Consolidated Operating Income	\$ 59	\$ 43	\$ 40	\$ 25
	=====	=====	=====	=====

/1/ 2001 QTD - Significant special items represent integration charges related to the October 2000 acquisition of 4Front Technologies, Inc. (\$2 million).

2000 QTD - Significant special items represent restructuring and other related charges in connection with the 1999 restructuring plan (\$4 million) and in-process research and development charges relating to acquisitions (\$24 million).

2001 YTD - Significant special items represent charges related to the first quarter 2001 write-down of loans and receivables with Credit Card Center (\$39 million) and integration charges related to the

acquisition of 4Front Technologies, Inc. (\$4 million).

2000 YTD - Significant special items represent restructuring and other related charges in connection with the 1999 restructuring plan (\$18 million) and in-process research and development charges relating to acquisitions (\$24 million).



## 5. CONTINGENCIES

In the normal course of business, NCR is subject to various regulations, proceedings, lawsuits, claims and other matters, including actions under laws and regulations related to the environment and health and safety, among others. NCR believes the amounts provided in its consolidated financial statements, as prescribed by generally accepted accounting principles, are adequate in light of the probable and estimable liabilities. However, there can be no assurances that the actual amounts required to discharge alleged liabilities from various lawsuits, claims, legal proceedings and other matters, including the Fox River matter discussed below, and to comply with applicable laws and regulations, will not exceed the amounts reflected in NCR's consolidated financial statements or will not have a material adverse effect on its consolidated results of operations, financial condition and cash flows. Any amounts of costs that may be incurred in excess of those amounts provided as of June 30, 2001 cannot currently be determined.

### Environmental Matters

NCR's facilities and operations are subject to a wide range of environmental protection laws, and NCR has investigatory and remedial activities underway at a number of facilities that it currently owns or operates, or formerly owned or operated, to comply, or to determine compliance, with such laws. Also, NCR has been identified, either by a government agency or by a private party seeking contribution to site cleanup costs, as a potentially responsible party (PRP) at a number of sites pursuant to various state and federal laws, including the Federal Water Pollution Control Act (FWPCA) and comparable state statutes, and the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA), and comparable state statutes.

Various federal agencies, Native American tribes and the State of Wisconsin (Claimants) consider NCR to be a PRP under the FWPCA and CERCLA for alleged natural resource damages (NRD) and remediation liability with respect to the Fox River and related Green Bay environment (Fox River System) due to, among other things, sediment contamination in the Fox River System allegedly resulting in part from NCR's former carbonless paper manufacturing in Wisconsin. Claimants have also notified a number of other paper manufacturing companies of their status as PRPs resulting from their ongoing or former paper manufacturing operations in the Fox River Valley, and Claimants have entered into a Memorandum of Agreement among themselves to coordinate their actions, including the assertion of claims against the PRPs. Additionally, the federal NRD Claimants have notified NCR and the other PRPs of their intent to commence a NRD lawsuit, but have not as yet instituted litigation. In addition, one of the Claimants, the United States Environmental Protection Agency (USEPA), has formally proposed the Fox River for inclusion on the CERCLA National Priorities List. In February 1999, the State of Wisconsin made available for public review a draft remedial investigation and feasibility study (RI/FS), which outlines a variety of alternatives for addressing the Fox River sediments. While the draft RI/FS did not advocate any specific alternative or combination of alternatives, the estimated total costs provided in the draft RI/FS ranged from \$0 for no action (which appears to be an unlikely choice) to between \$143 million and \$721 million depending on the alternative selected. During the fourth quarter of 2000, the federal Claimants released a proposed Restoration and Compensation Determination Plan (RCDP). The range of damages in the proposed RCDP is from \$176 million to \$333 million.

The USEPA has indicated that the final RI/FS will likely be issued in the second half of 2001, and that a decision on the anticipated remedial action will be made some months thereafter. NCR expects to reevaluate its potential liability upon issuance of the final RI/FS and to make necessary adjustments to its environmental provisions at that time.

NCR, in conjunction with the other PRPs, has developed a substantial body of evidence that it believes should demonstrate that selection of alternatives involving river-wide restoration/remediation, particularly massive dredging, would be inappropriate and unnecessary. However, because there is ongoing debate within the scientific, regulatory, legal, public policy and legislative communities over how to properly manage large areas of contaminated sediments, NCR believes there is a high degree of uncertainty about the appropriate scope of alternatives that may ultimately be required by the Claimants. An accurate estimate of NCR's ultimate share of restoration/remediation and damages liability cannot be made at this time due to uncertainties with respect to: the scope and cost of the potential alternatives; the outcome of further federal and state NRD assessments; the amount of NCR's share of such restoration/remediation expenses; the timing of any restoration/remediation; the evolving nature of restoration/remediation technologies and governmental policies; the contributions from other parties; and the recoveries from insurance carriers and other indemnitors. NCR believes the other currently named PRPs would be required and able to pay substantial shares toward restoration and remediation, and that there are additional parties, some of which have substantial resources, that may also be liable. Further, in 1978 NCR sold the business to which the claims apply, and NCR and the buyer have reached an interim settlement agreement under which the parties are sharing both defense and liability costs.

It is difficult to estimate the future financial impact of environmental laws, including potential liabilities. NCR accrues environmental provisions when it is probable that a liability has been incurred and the amount or range of the liability is reasonably estimable. Provisions for estimated losses from environmental restoration and remediation are, depending on the site, based primarily on internal and third-party environmental studies, estimates as to the number and participation level of any other PRPs, the extent of the contamination, and the nature of required remedial and restoration actions. Accruals are adjusted as further information develops or circumstances change. Management expects that the amounts accrued from time to time will be paid out over the period of investigation, negotiation, remediation and restoration for the applicable sites, which, as to the Fox River site, may be 10 to 20 years or more. The amounts provided for environmental matters in NCR's consolidated financial statements are the estimated gross undiscounted amounts of such liabilities, without deductions for insurance or third-party indemnity claims. Except for the sharing arrangement described above with respect to the Fox River, in those cases where insurance carriers or third-party indemnitors have agreed to pay any amounts and management believes that collectibility of such amounts is probable, the amounts are reflected as receivables in the consolidated financial statements.

#### 6. STOCK REPURCHASE PROGRAM

During the first six months of 2001, NCR repurchased approximately 450,000 shares of its stock for approximately \$20 million as part of the systematic repurchase program authorized in December 2000. These shares were repurchased on the open market and through privately negotiated transactions at an average price of \$44.47 per share. In addition to this plan, there is approximately \$181 million remaining under a separate authorization received from NCR's Board of Directors in October 1999.

Following the end of the second quarter of 2001, the Company repurchased approximately 135,000 shares as part of the systematic repurchase program. These shares were repurchased on the open market at an average price of \$39.53 per share.

#### 7. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income by the weighted average number of shares outstanding during the reported period. The calculation of diluted earnings per share is similar to basic, except that the weighted average number of shares outstanding include the additional dilution from potential common stock such as stock options and restricted stock awards, when appropriate.

#### 8. PUT OPTIONS

Following the end of the second quarter of 2001, NCR sold 400,000 put options that entitled the holder of each option to sell to the company, by physical delivery, shares of common stock at a specified price. The options sold in July will expire in December 2001. NCR has a potential repurchase obligation of \$15 million.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

We categorize our operations into six reportable operating segments: Data Warehousing, Financial Self Service, Retail Store Automation, Systemedia, Payment and Imaging, and Other. Each of these segments includes hardware, software, professional consulting, customer support and maintenance services, and third party applications and technologies. Customer support services include staging and implementation services, networking, multi-vendor integration services, consulting services, solution-specific support services, and outsourcing solutions.

Three Months Ended June 30, 2001 Compared to Three Months Ended June 30, 2000

For the quarters ended June 30, the effects of significant special items have been excluded from the gross margin, operating expenses and operating income amounts presented and discussed below.

In millions	2001	2000
Consolidated revenue	\$ 1,499	\$ 1,448
Consolidated gross margin (1)	465	474
Consolidated operating expenses:		
Selling, general and administrative expenses	327	328
Research and development expenses (2)	77	75
Consolidated income from operations	\$ 61	\$ 71

/1/ 2001 - Excludes integration charges related to the October 2000 acquisition of 4Front Technologies, Inc. (\$2 million).

2000 - Excludes restructuring and other related charges in connection with the 1999 restructuring plan (\$4 million).

/2/ 2000 - Excludes in-process research and development charges relating to acquisitions (\$24 million).

Revenue: Revenue for the three months ended June 30, 2001 was \$1,499 million, an increase of 4% from the second quarter of 2000. When adjusted for the impact of changes in currency exchange rates, revenue increased 8%.

The revenue improvement in the second quarter of 2001 compared to the prior year reflects broad-based revenue growth in our key solutions. By key solution, revenue in the second quarter of 2001 reflects increased sales in Financial Self Service of 8%, Retail Store Automation of 3% and Data Warehousing of 3%. These increases were partially offset by declines in sales of our Systemedia products of 2%. Financial Self Service experienced double digit growth in the Americas and Asia Pacific regions. Revenue growth in the Americas region was primarily due to ATM upgrades and revenue contributions from outsourcing while emerging markets contributed to the growth in the Asia Pacific region, excluding Japan. The revenue growth in Retail Store Automation continued to be driven primarily by increases in new product sales, such as self-checkout terminals and web-enabled kiosks. Revenue growth in Data Warehousing was due primarily to increased sales of software and professional consulting services, and was further supported by an increase in new customers versus the year ago period.

Revenue in the second quarter of 2001 compared with the second quarter of 2000 increased 14% in the Europe/Middle East/Africa region, 2% in the Americas region, and 1% in Japan. These increases were offset by a decrease in Asia Pacific region, excluding Japan, of 6%. When adjusted for the impact of changes in foreign currency exchange rates, revenue increased 21% in the Europe/Middle East/Africa region, 16% in Japan, and 2% in both the Americas and Asia Pacific regions, excluding Japan. The strong revenue growth in the Europe/Middle East/Africa region reflects growth in sales of our Financial Self Service, Data Warehousing and Payment and Imaging solutions offset by declines in our exited solutions. The Americas region comprised 51% of our total revenue in the second quarter of 2001, Europe/Middle East/Africa region comprised 30%, Japan comprised 10% and Asia Pacific, excluding Japan, comprised 9%.

Gross Margin and Operating Expenses: Gross margin as a percentage of revenue decreased 1.7 percentage points to 31.0% in the second quarter of 2001 from 32.7% in the second quarter of 2000. Products gross margin decreased 2.9 percentage points to 36.0% in the second quarter of 2001 due primarily to a lower margin mix of Data Warehouse revenues

versus Retail Store Automation and Financial Self Service revenues. Services gross margin remained flat at 25.7% compared to the second quarter of 2000.

Selling, general and administrative expenses decreased \$1 million in the second quarter of 2001 from the second quarter of 2000. As a percentage of revenue, selling, general and administrative expenses were 21.8% in the second quarter of 2001 and 22.7% in the second quarter of 2000. Research and development expenses increased \$2 million to \$77 million in the second quarter of 2001. As a percentage of revenue, research and development expenses were 5.1% in the second quarter of 2001 compared to 5.2% in the second quarter of 2000. The increase in research and development expenses reflects continuing investments in our strategic operating segments.

The net impact on operating results from our combined pension, postretirement and postemployment plans is \$2 million additional expense in the second quarter of 2001 as compared to the second quarter of 2000.

Income Before Income Taxes and Cumulative Effect of Accounting Change: Operating income was \$61 million in the second quarter of 2001 compared to \$71 million in the second quarter of 2000.

Other expense, net, was \$6 million in the second quarter of 2001 compared to \$21 million other income, net in the second quarter of 2000. The change versus the prior period was due primarily to decreased gains from real estate dispositions and decreased interest income resulting from lower cash, cash equivalents and short-term investment balances due to acquisitions. Also included in other expense, net, was a \$9 million write-down of marketable securities of a technology company investment we hold.

Income before income taxes and cumulative effect of accounting change was \$53 million in the second quarter of 2001 compared to \$64 million in the second quarter of 2000.

Provision for Income Taxes: Income tax provisions for interim periods are based on estimated annual income tax rates calculated without the effect of significant special items. At an estimated effective tax rate of 33% for 2001, the second quarter income tax provision was \$18 million compared to a \$32 million provision in the second quarter of 2000. There was no tax effect of special items in the second quarter of 2001 compared to a \$7 million benefit in the prior year period resulting from restructuring and other related charges. Including significant special items, the income tax provision was \$18 million in the second quarter of 2001 compared to a \$25 million income tax provision in the second quarter of 2000.

Six Months Ended June 30, 2001 Compared to Six Months Ended June 30, 2000

For the six months ended June 30, the effects of significant special items have been excluded from the gross margin, operating expenses and operating income amounts presented and discussed below.

In millions	2001	2000
Consolidated revenue	\$ 2,875	\$ 2,703
Consolidated gross margin (1)	876	845
Consolidated operating expenses:		
Selling, general and administrative expenses (2)	640	633
Research and development expenses (3)	153	145
Consolidated income from operations	\$ 83	\$ 67

- /1/ 2001 - Excludes integration charges related to the October 2000 acquisition of 4Front Technologies, Inc. (\$3 million).
- 2000 - Excludes restructuring and other related charges in connection with the 1999 restructuring plan (\$17 million)
- /2/ 2001 - Excludes charges related to the first quarter 2001 write-down of loans and receivables with Credit Card Center (\$39 million) and integration charges related to the acquisition of 4Front Technologies, Inc. (\$1 million).
- 2000 - Excludes restructuring and other related charges in connection with the 1999 restructuring plan (\$1 million).
- /3/ 2000 - Excludes in-process research and development charges relating to acquisitions (\$24 million).

Revenue: Revenue for the six months ended June 30, 2001 was \$2,875 million, an increase of 6% from the first six months of 2000. When adjusted for the impact of changes in currency exchange rates, revenue increased 10%.

The revenue improvement in the first six months of 2001 compared to the prior year reflects broad-based revenue growth in our key solutions. By key solution, revenue in the first six months of 2001 reflects increased sales in Data Warehousing of 10%, Financial Self Service of 8% and Retail Store Automation of 5%. Revenue growth in Data Warehousing was due primarily to increased sales of software and consulting services, and was further supported by an increase in new customers versus the year ago period. Financial Self Service revenues grew in the Americas and Asia Pacific regions, excluding Japan. The revenue growth in Retail Store Automation was driven primarily by increases in new product sales, such as self-checkout terminals and web-enabled kiosks. Revenue in the first six months of 2001 compared with the first six months of 2000 increased 14% in the Europe/Middle East/Africa region, 7% in the Asia Pacific region, excluding Japan, and 5% in the Americas region, offset by a decrease in Japan of 3%. When adjusted for the impact of changes in foreign currency exchange rates, revenue increased 21% in the Europe/Middle East/Africa region, 17% in the Asia Pacific region, excluding Japan and 9% in Japan. The strong revenue growth in the Europe/Middle East/Africa region reflects growth in sales of our Retail Store Automation, Data Warehousing and Payment and Imaging solutions partially offset by declines in our exited solutions. The Americas region comprised 52% of our total revenue in the first six months of 2001, Europe/Middle East/Africa region comprised 30%, Asia Pacific, excluding Japan, comprised 10% and Japan comprised 8%.

Gross Margin and Operating Expenses: Gross margin as a percentage of revenue decreased 0.8 percentage points to 30.5% in the first six months of 2001 from 31.3% in the same period of 2000. Products gross margin decreased 1.2 percentage points to 36.0% in the first six months of 2001. Services gross margin decreased 0.2 percentage points to 24.7% in the first six months of 2001. Overall, gross margin as a percentage of revenue was negatively impacted by a larger mix of services versus hardware and software.

Selling, general and administrative expenses increased \$7 million, or 1%, in the first six months of 2001 from the first six months of 2000. As a percentage of revenue, selling, general and administrative expenses were 22.3% in the first six months of 2001 and 23.4% in the first six months of 2000. Research and development expenses increased \$8 million to \$153 million in the first six months of 2001. As a percentage of revenue, research and development expenses were 5.3% in the first six months of 2001 compared to 5.4% in the same period of 2000. The increase in research and development expenses reflects continuing investments in our strategic operating segments.

The net impact on operating results from our combined pension, postretirement and postemployment plans is \$3 million additional expense in the first six months of 2001 as compared to the same period of 2000.

Income Before Income Taxes and Cumulative Effect of Accounting Change: Operating income was \$83 million in the first six months of 2001 compared to \$67 million in the first six months of 2000.

Other expense, net, was \$13 million in the first six months of 2001 compared to other income, net, of \$34 million in 2000. Excluding a \$1 million charge for interest receivables related to Credit Card Center (CCC), other expense, net, was \$12 million in the first six months of 2001 compared to other income, net, of \$34 million in the first six months of 2000. The change versus the prior period was due primarily to decreased gains from real estate dispositions and decreased interest income resulting from lower cash, cash equivalents and short-term investment balances due to acquisitions. Also included in other expense, net, was approximately a \$9 million write-down of marketable securities of a technology company investment we hold.

Income before income taxes and cumulative effect of accounting change was \$27 million in the first six months of 2001 compared to \$59 million in the same period of 2000.

Provision for Income Taxes: Income tax provisions for interim periods are based on estimated annual income tax rates calculated without the effect of significant special items. At an estimated effective tax rate of 33% for 2001, the income tax provision for the first six months was \$23 million compared to a \$35 million provision in the first six months of 2000. The tax effect of special items was a \$152 million benefit in the first six months of 2001 comprised of a \$138 million benefit resulting from the favorable resolution of an examination of prior year international activities and a \$14 million benefit resulting from 4Front Technologies, Inc. integration and CCC-related charges. This compares to a \$10 million benefit in the prior year period resulting from restructuring and other related charges. Including significant special items, the income tax

benefit was \$129 million for the first six months of 2001 compared to a \$25 million income tax provision for the first six months of 2000.

#### Financial Condition, Liquidity, and Capital Resources

Our cash, cash equivalents, and short-term investments totaled \$327 million at June 30, 2001 compared to \$357 million at December 31, 2000.

**Operating Activities:** We generated cash flows from operations of \$48 million in the first six months of 2001 compared to a \$17 million use of cash in the first six months of 2000. The cash generated in operations in the first six months of 2000 was driven primarily by continued improvements in asset management. Receivable balances decreased \$295 million in the first six months of 2001 versus a \$37 million decrease in the same period in 2000. The decrease in receivable balances in the first six months of 2001 is driven primarily by the increased focus on collections and due to the factoring of approximately \$111 million of receivables in the second quarter of 2001. Inventory balances increased \$20 million in the first six months of 2001 compared to no change in the same period of 2000. The increase in inventory in the first six months of 2001 is related to the anticipation of higher revenues in the second half of 2001 versus the second half of 2000. Customer deposits and deferred service revenue increased \$28 million in the first six months of 2001 compared to an increase of \$57 million in the prior year period.

**Investing Activities:** Net cash flows used in investing activities were \$181 million in the first six months of 2001 and \$169 million in the same period of 2000. In 2001, we increased short-term investments by \$17 million compared to a \$36 million decrease in 2000. Net expenditures and proceeds for service parts utilized \$62 million of cash in the first six months of 2001 compared to a use of \$63 million in the same period of 2000. Capital expenditures were \$89 million for the first six months of 2001 and \$109 million for the comparable period in 2000. Proceeds from sales of property, plant and equipment generated cash of \$8 million compared to \$59 million in the prior-year period. The prior-year period included sales related to our strategy to reduce our owned, excess real estate. Business acquisitions and investments used \$3 million in the first six months of 2001 compared to \$56 million in the first six months of 2000.

**Financing Activities:** Net cash provided by financing activities were \$72 million in the first six months of 2001 and \$34 million in the same period of 2000. In the first six months of 2001, we utilized \$34 million of cash in the repurchase of Company common stock pursuant to the systematic stock repurchase program compared to a \$4 million use for stock repurchases in the same period in 2000. Short-term borrowings generated cash of \$34 million in the first six months of 2001, compared to no change in the same prior-year period. In the first six months of 2001, other financing activities provided \$71 million compared to \$41 million in the same prior-year period. Other financing activities primarily relates to share activity under our stock option and employee stock purchase plans.

We believe that cash flows from operations, the credit facility, and other short-term and long-term financings, if any, will be sufficient to satisfy our future working capital, research and development, capital expenditure, and other financing requirements for the foreseeable future.

#### Factors That May Affect Future Results

This quarterly report and other documents that we file with the Securities and Exchange Commission, as well as other oral or written statements we may make from time to time, contain information based on management's beliefs and include forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that involve a number of known and unknown risks, uncertainties and assumptions. These forward-looking statements are not guarantees of future performance, and there are a number of factors, including those listed below, which could cause actual outcomes and results to differ materially from the results contemplated by such forward-looking statements. We do not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## Competition

Our ability to compete effectively within the technology industry is critical to our future success.

We compete in the intensely competitive information technology industry. This industry is characterized by rapidly changing technology, evolving industry standards, frequent new product introductions, price and cost reductions, and increasingly greater commoditization of products, making differentiation difficult. In addition, this intense competition increases pressure on gross margins that could impact our business and operating results. Our competitors include other large, successful companies in the technology industry such as: Diebold, Inc., International Business Machines Corporation (IBM), Oracle Corporation, Unisys Corporation and Wincor Nixdorf GmbH & Co., some of which have widespread penetration of their platforms and service offerings. If we are unable to compete successfully, the demand for our solutions, including products and services, would decrease. Any reduction in demand could lead to fewer customer orders, a decrease in the prices of our products and services, reduced revenues, reduced margins, operating inefficiencies, reduced levels of profitability and loss of market share. These competitive pressures could impact our business and operating results.

Our future competitive performance depends on a number of factors, including our ability to: rapidly and continually design, develop and market, or otherwise obtain and introduce solutions and related products and services for our customers that are competitive in the marketplace; offer a wide range of solutions from web-enabled kiosks to enterprise data warehouses; offer solutions to customers that operate effectively within a computing environment, which include the integration of hardware and software from multiple vendors; offer products that are reliable and that ensure the security of data and information; offer high quality, high availability services; market and sell all of our solutions effectively and produce and deliver solutions at competitive operating margins.

## Introduction of New Solutions

The solutions we sell are very complex, and we need to rapidly and successfully develop and introduce new solutions.

We operate in a very competitive, rapidly changing environment, and our future success depends on our ability to develop and introduce new solutions that our customers choose to buy. If we are unable to develop new solutions, our business and operating results would be impacted. This includes our efforts to rapidly develop and introduce data warehousing software applications. The development process for our complex solutions, including our software application development programs, requires high levels of innovation from both our developers and our suppliers of the components embedded in our solutions. In addition, the development process can be lengthy and costly. It requires us to commit a significant amount of resources to bring our business solutions to market. If we are unable to anticipate our customers' needs and technological trends accurately, or are otherwise unable to complete development efficiently, we would be unable to introduce new solutions into the market on a timely basis, if at all, and our business and operating results would be impacted. In addition, if we are unable to successfully market and sell both existing and newly developed solutions, such as our self-checkout, electronic shelf label solutions and self-service outsourcing, our operating results would be impacted.

Our solutions, which contain both hardware and software products, may contain known as well as undetected errors which may be found after the products' introduction and shipment. While we attempt to fix errors that we believe would be considered critical by our customers prior to shipment, we may not be able to detect or fix all such errors, and this could result in lost revenues, delays in customer acceptance and incremental costs, which would all impact our operating results.

## Reliance on Third Parties

Third party suppliers provide important elements to our solutions.

We rely on many suppliers for necessary parts and components to complete our solutions. In most cases, there are a number of vendors producing the parts and components that we utilize. However, there are some components that are purchased from single sources due to price, quality, technology or other reasons. For example, we depend on chips and microprocessors from Intel Corporation and operating systems from UNIX(R) and Microsoft Windows NT(R). Certain parts and components used in the manufacture of our ATMs and the delivery of some of our Store Automation solutions are also supplied by single sources. If we were unable to purchase the necessary parts and components from a particular vendor and we had to find an alternative supplier for such parts and components, our new and existing product shipments and solutions deliveries could be delayed, impacting our business and operating results.

We have, from time to time, formed alliances with third parties that have complementary products, services and skills. Many different relationships are formed by these alliances such as outsourcing arrangements with Soletron Corporation and others

to manufacture hardware and subcontract agreements with third parties to perform services and provide products to NCR's customers in connection with NCR's solutions. These alliances introduce risks that we cannot control such as non-performance by third parties and difficulties with or delays in integrating elements provided by third parties into our solutions. The failure of third parties to provide high quality products or services that conform to the required specifications or contractual arrangements could impair the delivery of our solutions on a timely basis and impact our business and operating results.

#### Acquisitions and Alliances

Our ability to successfully integrate acquisitions or effectively manage alliance activities will help drive future growth.

As part of our overall solutions strategy, we intend to continue to make investments in companies, products, services and technologies, either through acquisitions, joint ventures or strategic alliances. Acquisitions and alliance activities inherently involve risks. The risks we may encounter include those associated with assimilating and integrating different business operations, corporate cultures, personnel, infrastructures and technologies or products acquired or licensed, retaining key employees and the potential for unknown liabilities within the acquired or combined business. The investment or alliance may also disrupt our ongoing business, or we may not be able to successfully incorporate acquired products, services or technologies into our solutions and maintain quality. Business acquisitions typically result in intangible assets being recorded and amortized in future years (including goodwill acquired prior to July 1, 2001, which will be amortized normally through December 31, 2001).

It is our policy not to discuss or comment upon negotiations regarding such business combinations or divestitures until a definitive agreement is signed or circumstances indicate a high degree of probability that a material transaction will be consummated, unless the law requires otherwise.

#### Operating Result Fluctuations

We expect our revenues and operating results to fluctuate for a number of reasons.

Future operating results will continue to be subject to fluctuations based on a variety of factors, including:

**Seasonality.** Our sales are historically seasonal, with revenue higher in the fourth quarter of each year. During the three quarters ending in March, June and September, we have historically experienced less favorable results than in the quarter ending in December. Such seasonality also causes our working capital cash flow requirements to vary from quarter to quarter depending on the variability in the volume, timing and mix of product sales. In addition, revenue in the third month of each quarter is typically higher than in the first and second months. These factors, among other things, make forecasting more difficult and may adversely affect our ability to predict financial results accurately.

**Acquisitions and Alliances.** As part of our solutions strategy, we intend to continue to acquire technologies, products and businesses as well as form strategic alliances and joint ventures. As these activities take place and we begin to include the financial results related to these investments, our operating results will fluctuate.

**Cost/Expense Reductions.** We are actively working to manage the Company's costs and expenses to continue to improve operating profitability. Our success in achieving targeted cost and expense reductions depends on a number of factors, including our ability to achieve infrastructure rationalizations, implement six sigma practices, improve accounts receivable collections, and reduce inventory overhead, among other things. If we do not successfully complete our cost reduction initiatives, our results of operation or financial condition could be adversely affected.

#### Multi-National Operations

Continuing to generate substantial revenues from our multi-national operations helps to balance our risks and meet our strategic goals.

Currently, approximately 56% of our revenues come from our international operations. We believe that our geographic diversity may help to mitigate some risks associated with geographic concentrations of operations (e.g., adverse changes in foreign currency exchange rates or business disruptions due to economic or political uncertainties). However, our ability to sell our solutions domestically in the United States and internationally is subject to the following risks, among others: general economic and political conditions in each country which could adversely affect demand for our solutions in these markets, as evidenced by the recent economic slowing in the U.S. retail and telecommunications industries; currency exchange rate fluctuations which could result in lower demand for our products as well as generate currency translation losses; currency changes such as the Euro introduction which could affect cross border competition and pricing and require modifications to



our offerings to accommodate the changeover; and changes to and compliance with a variety of local laws and regulations which may increase our cost of doing business in these markets or otherwise prevent us from effectively competing in these markets.

#### Employees

Hiring and retaining highly qualified employees helps us to achieve our business objectives.

Our employees are vital to our success, and our ability to attract and retain highly skilled technical, sales, consulting and other key personnel is critical as these key employees are difficult to replace. The expansion of high technology companies has increased demand and competition for qualified personnel. If we are not able to attract or retain highly qualified employees in the future, our business and operating results could be impacted.

#### Intellectual Property

As a technology company, our intellectual property portfolio is key to our future success.

Our intellectual property portfolio is a key component of our ability to be a leading technology and services solutions provider. To that end, we aggressively protect and work to enhance our proprietary rights in our intellectual property through patent, copyright, trademark and trade secret laws, and if our efforts fail, our business could be impacted. In addition, many of our offerings rely on technologies developed by others, and if we were not able to continue to obtain licenses for such technologies, our business would be impacted. Moreover, from time to time, we receive notices from third parties regarding patent and other intellectual property claims. Whether such claims are with or without merit, they may require significant resources to defend and, if an infringement claim is successful, in the event we are unable to license the infringed technology or to substitute similar non-infringing technology, our business could be adversely affected.

#### Environmental

Our historical and ongoing manufacturing activities subject us to environmental exposures.

We have been identified as a potentially responsible party in connection with the Fox River matter as further described in "Environmental Matters" under Note 5 of the Notes to Condensed Consolidated Financial Statements and we incorporate such discussion in this Management's Discussion and Analysis of Financial Condition and Results of Operations by reference and make it a part of this risk factor.

#### Contingencies

Like other technology companies, we face uncertainties with regard to regulations, lawsuits and other related matters.

We are subject to regulations, proceedings, lawsuits, claims and other matters, including those that relate to the environment, health and safety, and intellectual property. Such matters are subject to the resolution of many uncertainties; thus, outcomes are not predictable with assurance. While we believe that amounts provided in our financial statements are currently adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to discharge alleged liabilities from lawsuits, claims and other legal proceedings and environmental matters, and to comply with applicable environmental laws will not impact future operating results.

#### Recently Issued Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141) and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142).

SFAS 141, which supersedes APB Opinion No. 16, "Business Combinations" and Statement of Financial Accounting Standards No. 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises", requires that all business combinations entered into after the effective date of July 1, 2001 be accounted for by the purchase method, defines criteria for recognition of intangible assets apart from goodwill, and further defines disclosure requirements for business combinations. We do not expect this standard to have any impact on our consolidated financial position, results of operations and cash flows.

SFAS 142, which supersedes APB Opinion No. 17, "Intangible Assets", defines new accounting treatment for goodwill and other intangible assets. This standard eliminates the amortization of goodwill and other intangible assets that have indefinite

lives, establishes a requirement that goodwill and intangible assets with indefinite lives be tested annually for impairment, provides specific guidance on such testing, and requires disclosures of information about goodwill and other intangible assets in the years subsequent to their acquisition that was not previously required. SFAS 142 is effective for fiscal years beginning after December 15, 2001; however, consistent with the requirements of the standard, goodwill and intangible assets acquired after June 30, 2001 will be immediately subject to the new provisions. We will evaluate goodwill under the SFAS 142 transitional impairment test and has not determined whether or not there will be an impairment loss. Any transitional impairment loss will be recognized as a change in accounting principle. In the first fiscal year of adoption (beginning January 1, 2002), we expect to recognize annual amortization expense savings of approximately \$70 million to \$80 million, of which \$8 million to \$10 million will impact other expense.

### Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Market Risk

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We are exposed to market risk, including changes in foreign currency exchange rates and interest rates. We use a variety of measures to monitor and manage these risks, including derivative financial instruments. Since a substantial portion of our operations and revenue occur outside the United States, and in currencies other than the U.S. dollar, our results can be significantly impacted by changes in foreign currency exchange rates. To manage our exposures to changes in currency exchange rates, we enter into various derivative financial instruments such as forward contracts and options. These instruments generally mature within 12 months. At inception, select derivative instruments are designated as hedges of inventory purchases and sales, and of certain financing transactions that are firmly committed or forecasted. Generally, gains and losses on qualifying hedged transactions are recorded in other comprehensive income and recognized in the determination of income when the underlying transactions are realized, canceled or otherwise terminated. When hedging certain foreign currency transactions of a long-term investment nature, gains and losses are recorded in the currency translation adjustment component of stockholders' equity. Gains and losses on other foreign exchange contracts are recognized in other income or expense as exchange rates change.

For purposes of potential risk analysis, we use sensitivity analysis to quantify potential impacts that market rate changes may have on the fair values of our hedge portfolio related to anticipated transactions. The sensitivity analysis represents the hypothetical changes in value of the hedge position and does not reflect the related gain or loss on the forecasted underlying transaction. As of June 30, 2001 and 2000, a 10% appreciation in the value of the U.S. dollar against foreign currencies from the prevailing market rates would result in a \$43 million increase or a \$13 million dollar increase in the fair value of the hedge portfolio, respectively. Conversely, a 10% depreciation of the U.S. dollar against foreign currencies from the prevailing market rates would result in an \$8 million decrease or a \$1 million increase in the fair value of the hedge portfolio as of June 30, 2001 and 2000, respectively.

The interest rate risk associated with our borrowing and investing activities at June 30, 2001 was not material in relation to our consolidated financial position, results of operations and cash flows. We generally do not use derivative financial instruments to alter the interest rate characteristics of our investment holdings or debt instruments.

We are potentially subject to concentrations of credit risk on accounts receivable and financial instruments such as hedging instruments, short-term investments and cash and cash equivalents. Credit risk includes the risk of nonperformance by counterparties. The maximum potential loss may exceed the amount recognized on the balance sheet. Exposure to credit risk is managed through credit approvals, credit limits, selecting major international financial institutions (as counterparties to hedging transactions) and monitoring procedures. Our business often involves large transactions with customers, and if one or more of those customers were to default in its obligations under applicable contractual arrangements, we could be exposed to potential significant losses. However, we believe that the reserves for potential losses are adequate. At June 30, 2001 and 2000, we did not have any major concentration of credit risk related to financial instruments.

Part II. Other Information

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 3.1 Articles of Amendment and Restatement of NCR Corporation as amended May 14, 1999 (incorporated by reference to Exhibit 3.1 from the NCR Corporation Form 10-Q for the period ended June 30, 1999) and Articles Supplementary of NCR Corporation (incorporated by reference to Exhibit 3.1 from the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 1996 (the "1996 NCR Annual Report")).
- 3.2 Bylaws of NCR Corporation, as amended and restated on June 25, 2001.
- 4.1 Common Stock Certificate of NCR Corporation (incorporated by reference to Exhibit 4.1 from the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 1999).
- 4.2 Preferred Share Purchase Rights Plan of NCR Corporation, dated as of December 31, 1996, by and between NCR Corporation and The First National Bank of Boston (incorporated by reference to Exhibit 4.2 from the 1996 NCR Annual Report).
- 10.1(a) Agreement and Plan of Merger by and among NCR Corporation, NCR Merger Sub Inc. and 4Front Technologies, Inc. dated August 2, 2000 (incorporated by reference to Annex A from the 4Front Technologies, Inc. Notice of Annual Meeting of Stockholders and Proxy Statement dated September 25, 2000).
- 10.1(b) Amendment to Agreement and Plan of Merger by and among NCR Corporation, NCR Merger Sub Parent, Inc., NCR Merger Sub Inc., and 4Front Technologies, Inc. dated October 6, 2000 (incorporated by reference to Exhibit 10.1(b) from the NCR Corporation Report on Form 10-Q for the quarter ended September 30, 2000).
- 10.1(c) Second Amendment to Agreement and Plan of Merger by NCR Corporation and NCR Merger Sub Parent, Inc. dated May 1, 2001.
- 10.2 Letter agreement dated June 18, 2001.

(b). Reports on Form 8-K

No reports filed on Form 8-K for the quarter ended June 30, 2001.

UNIX is a registered trademark in the United States and other countries, exclusively licensed through X/OPEN Company Limited.  
Windows NT is a registered trademark of Microsoft Corporation.  
Teradata is either a registered trademark or trademark of NCR International, Inc. in the United States and/or other countries.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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: August 9, 2001

By: /s/ David Bearman

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David Bearman, Senior Vice President  
and Chief Financial Officer

## NCR CORPORATION

BYLAWS  
AS AMENDED AND RESTATED ON JUNE 25, 2001

## ARTICLE I.

## Stockholders

Section 1. The Corporation shall hold annually a regular meeting of its stockholders for the election of the Directors and for the transaction of general business at such place within the United States as the Board of Directors shall determine and shall cause to be stated in the notice of such meeting, on any business day during the 31-day period beginning on the third Thursday of April of each year. Such annual meetings shall be general meetings, that is to say, open for the transaction of any business within the powers of the Corporation without special notice unless otherwise required by statute, by the Charter (which term, as used in these Bylaws, shall include all amendments to the Charter and all Articles Supplementary) or by these Bylaws. Failure to hold an annual meeting at the designated time shall not, however, invalidate the corporate existence or affect otherwise valid corporate acts.

Section 2. At any time in the interval between annual meetings, special meetings of the stockholders may be called as provided in the Charter, by the Chief Executive Officer, a President, by the Board of Directors or by the holders of a majority of the then outstanding shares of common stock of the Corporation. All such meetings shall be held within the United States. No business other than that stated in the notice of the special meetings shall be transacted at such special meeting.

Section 3. Written or printed notice of every annual or special meeting of the stockholders shall be given to each stockholder entitled to vote at such meeting, by leaving the same with him or at his residence or usual place of business, by mailing it to him at his address as it appears upon the books of the Corporation, or by transmitting it to him by electronic mail or any other electronic means or as otherwise permitted by law, at least ten days and not more than ninety days before such meeting. Notice of every special meeting shall state the place, day and hour of such meeting and the business proposed to be transacted thereat; and no business shall be transacted at such meeting except that specifically named in the notice. Failure to give notice of any annual meeting, or any irregularity in such notice, shall not affect the validity of any annual meeting if held at the time and place fixed by Section 1 of this Article I, or the validity of any proceedings at any such meeting (other than proceedings of which special notice is required by statute, by the Charter or by these Bylaws). No notice of an adjourned or postponed meeting of stockholders need be given, except as required by law.

Section 4. The Chairman of any special or annual meeting of stockholders may adjourn or postpone the meeting from time to time, whether or not a quorum is present. No notice of the time and place of adjourned or postponed meetings need be given except as required by law. The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment or postponement, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. At any such adjourned or postponed meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified. Except as required by statute, or as provided in the Charter or in these Bylaws, a majority of all votes cast at a duly called special or annual meeting of stockholders at which a quorum is present shall be sufficient to approve any matter which properly comes before the meeting, including the election of Directors.

Section 5. Any stockholder entitled to vote at any meeting of stockholders may vote either in person or by proxy, but no proxy which is dated more than eleven months before the meeting at which it is offered shall be accepted, unless such proxy shall, on its face, name a longer or shorter period for which it is to remain in force. A stockholder may authorize another person or persons to act as his proxy to the extent permitted by law.

Section 6. At any meeting of the stockholders, the polls shall be opened and closed, the proxies and ballots shall be received, and all questions touching the qualification of voters and the validity of proxies and the acceptance or rejection of votes shall be decided, by the Chairman of the Meeting.

Section 7. At each meeting of the stockholders, a full, true and complete list in alphabetical order, or in alphabetical order by classes or series of stock, of all stockholders entitled to vote at such meeting, indicating the number and classes or series of shares held by each, shall be furnished by the Secretary.

Section 8. (a) Annual Meetings of Stockholders.

(1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice of meeting pursuant to these Bylaws, (b) by or at the direction of the Board of Directors, or (c) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this Bylaw, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (a)(1) of this Bylaw, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th calendar day nor earlier than the close of business on the 120th calendar day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than thirty calendar days before or more than sixty calendar days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th calendar day prior to such annual meeting and not later than the close of business on the later of the 90th calendar day prior to such annual meeting or the 10th calendar day following the calendar day on which public announcement of the date of such meeting is first made by the Corporation. For purposes of determining whether a stockholder's notice shall have been delivered in a timely manner for the annual meeting of stockholders in 1997, the first anniversary of the previous year's meeting shall be deemed to be April 16, 1997. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a Director all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Bylaw to the contrary, in the event that the number of Directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for Director or specifying the size of the increased Board of Directors at least 100 calendar days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th calendar day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to Section 2 of Article I of these Bylaws. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which Directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors, (b) provided that the Board of Directors has determined that Directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more Directors to the Board of Directors, any stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting pursuant to such clause (b), if the stockholder complies with the notice procedures set forth in paragraph (a)(2) of this Bylaw and if the stockholder's notice required by paragraph (a)(2) of this Bylaw shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th calendar day prior to such special meeting and not later than the close of business on the later of the 90th calendar day prior to such special meeting or the 10th calendar day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(c) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Bylaw shall be eligible to serve as Directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Bylaw. Except as otherwise provided by law, the Charter or these Bylaws, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Bylaw and, if any proposed nomination or business is not in compliance with this Bylaw, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Bylaw, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights (a) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act, (b) of the holders of any series of Preferred Stock to elect Directors under an applicable Articles Supplementary (as defined in the Corporation's Charter), or (c) of the Corporation to omit proposals pursuant to Rule 14a-8 under the Exchange Act.

Section 9. No matter shall be considered at any meeting of the stockholders except upon a motion duly made and seconded. Any motion or second of a motion shall be made only by a natural person present at the meeting who either is a stockholder of the Company or is acting on behalf of a stockholder of the Company, provided, that if the person is acting on behalf of a stockholder, he or she must present a written statement executed by the stockholder or the duly authorized attorney of the stockholder on whose behalf he or she purports to act.

Section 10. At each meeting of the stockholders, the order of business and the procedures to be followed in conducting such business shall be determined by the presiding officer at the meeting in accordance with the law, the Charter and these Bylaws. The presiding officer at each meeting shall be appointed by the Board of Directors prior to the meeting.



Section 11. The acquisition of shares of common stock of the Corporation by any existing or future stockholders or their affiliates or associates shall be exempt from all of the provisions of Subtitle 7 (entitled "Voting Rights of Certain Control Shares") of title 3 of the Maryland General Corporation Law, as amended.

## ARTICLE II.

### Board of Directors

Section 1. Subject to the restrictions contained in the Charter and these Bylaws, the business and property of the Corporation shall be managed under the direction of its Board of Directors, which may exercise all the powers of the Corporation except such as by statute, by the Charter, or by these Bylaws, are conferred upon or reserved to the stockholders. The Board of Directors shall have the power to fix the compensation of its members and shall provide for the payment of the expenses of Directors in attending meetings of the Board of Directors and of any committee of the Board of Directors.

Section 2. Subject to removal, death, resignation or retirement of a Director, a Director shall hold office until the annual meeting of the stockholders for the year in which such Director's term expires and until a successor shall be elected and qualified, or a successor appointed as provided in Section 7.1(d) of the Charter.

Section 3. (a) From time to time, the number of Directors may be increased to not more than 20, or decreased to not less than 3, upon resolution approved by a majority of the total number of Directors which the Corporation would have if there were no vacancies (the "Whole Board"). The Directors, other than those who may be elected in accordance with the terms of any Articles Supplementary, shall be divided into three classes. Each such class shall consist, as nearly as may be possible, of one-third of the total number of Directors, and any remaining Directors shall be included with such group or groups as the Board of Directors shall designate. At the annual meeting of the stockholders of the Corporation for 1996, a class of Directors shall be elected for a one-year term, a class of Directors shall be elected for a two-year term, and a class of Directors shall be elected for a three-year term. At each succeeding annual meeting of stockholders, beginning with 1997, successors to the class of Directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of Directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of Directors in each class as nearly equal as possible, but in no case shall a decrease in the number of Directors shorten the term of any incumbent Director.

(b) Except as provided by law with respect to Directors elected by stockholders of a class or series, any Director or the entire Board of Directors may be removed for cause by the affirmative vote of the holders of not less than 80% of the voting power of all Voting Stock (as defined in the Charter) then outstanding, voting together as a single class. Subject to such removal, or the death, resignation or retirement of a Director, a Director shall hold office until the annual meeting of the stockholders for the year in which such Director's term expires and until a successor shall be elected and qualified, except as provided in Section 7.1(d) of the Charter.

(c) Except as provided by law with respect to Directors elected by stockholders of a class or series, a vacancy on the Board of Directors which results from the removal of a Director may be filled by the affirmative vote of the holders of not less than 80% of the voting power of the then outstanding Voting Stock, voting together as a single class, and a vacancy which results from any such removal or from any other cause may be filled by a majority of the remaining Directors, whether or not sufficient to constitute a quorum. Any Director so elected by the Board of Directors shall hold office until the next annual meeting of stockholders and until his successor is elected and qualified and any Director so elected by the stockholders shall hold office for the remainder of the term of the removed Director. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

Section 4. The Board of Directors shall meet for the election of officers and for the transaction of any other business as soon as practicable after the annual meeting of stockholders. Other regular meetings of the Board of Directors shall be held at such times and from time to time as may be fixed by the Board of Directors or the Chairman, and on not less than 48 hours' notice, given in such manner as the Board of Directors or the Chairman may determine. Special meetings of the Board of Directors shall be held at such times and from time to time pursuant to call of the Chairman of the Board or of the Chief Executive Officer, if the Chief Executive Officer is also a Director, with notice thereof given in writing

or by telephonic or other means of communication in such manner as the Chairman of the Board or the Chief Executive Officer , as the case may be, may determine.

Section 5. Regular and special meetings of the Board of Directors may be held at such place or places within or without the State of Maryland as the Board of Directors may from time to time determine.

Section 6. A majority of the Board of Directors shall constitute a quorum for the transaction of business, but if, at any meeting of the Board of Directors, there shall be less than a quorum present, the Directors present at the meeting, without further notice, may adjourn the same from time to time, not exceeding ten days at any one time, until a quorum shall attend. Except as required by statute, or as provided in the Charter or these Bylaws, a majority of the Directors present at any meeting at which a quorum is present shall decide any questions that may come before the meeting.

### ARTICLE III.

#### Committees of the Board of Directors

##### Executive Committee

Section 1. The Board of Directors may elect an Executive Committee consisting of three or more Directors. If such a Committee is established, the Board of Directors shall appoint one of the members of the Executive Committee to the office of Chairman of the Executive Committee. The Chairman and other members of the Executive Committee shall hold office until the first meeting of the Board of Directors following the annual meeting of stockholders next succeeding their respective elections or until removed by the Board of Directors or until they shall cease to be Directors. Vacancies in the Executive Committee or in the office of Chairman of the Executive Committee shall be filled by the Board of Directors.

Section 2. If such a Committee is established, all the powers of the Board of Directors in the management of the business and affairs of the Corporation, except as otherwise provided by the Maryland General Corporation Law, the Charter and these Bylaws, shall vest in the Executive Committee, when the Board of Directors is not in session.

##### Audit and Finance Committee

Section 3. The Board of Directors may elect an Audit and Finance Committee consisting of three or more Directors. The Board of Directors shall appoint one of the members of the Audit and Finance Committee to the office of Chairman of the Audit and Finance Committee. The Chairman and other members of the Audit and Finance Committee shall hold office until the first meeting of the Board of Directors following the annual meeting of stockholders next succeeding their respective elections or until removed by the Board of Directors or until they shall cease to be Directors. Vacancies in the Audit and Finance Committee or in the office of Chairman of the Audit and Finance Committee shall be filled by the Board of Directors.

##### Compensation Committee

Section 4. The Board of Directors may elect a Compensation Committee consisting of three or more Directors. The Board of Directors shall appoint one of the members of the Compensation Committee to the office of Chairman of the Compensation Committee. The Chairman and other members of the Compensation Committee shall hold office until the first meeting of the Board of Directors following the annual meeting of stockholders next succeeding their respective elections or until removed by the Board of Directors or until they shall cease to be Directors. Vacancies in the Compensation Committee or in the office of Chairman of the Compensation Committee shall be filled by the Board of Directors.

##### Committee on Directors

Section 5. The Board of Directors may elect a Committee on Directors consisting of three or more Directors. The Board of Directors shall appoint one of the members of the Committee on Directors to the office of Chairman

of the Committee on Directors. The Chairman and other members of the Committee on Directors shall hold office until the first meeting of the Board of Directors following the annual meeting of stockholders next succeeding their respective elections or until removed by the Board of Directors or until they shall cease to be Directors. Vacancies in the Committee on Directors or in the office of Chairman of the Committee on Directors shall be filled by the Board of Directors.

#### Other Committees

Section 6. The Board of Directors may, by resolution adopted by a majority of the entire Board, designate one or more additional committees, each of which shall consist of one or more Directors of the Corporation, and if it elects such a committee, shall appoint one of the members of the committee to be Chairman thereof.

#### Meetings of Committees

Section 7. The Executive Committee and each other committee shall meet from time to time on call of its Chairman or on call of any one or more of its members or the Chairman of the Board for the transaction of any business.

Section 8. At any meeting, however called, of the Executive Committee and each other committee, a majority of its members shall constitute a quorum for the transaction of business. A majority of such quorum shall decide any matter that may come before the meeting.

Section 9. The Executive Committee and each other committee shall keep minutes of its proceedings.

### ARTICLE IV.

#### Officers

Section 1. The Board of Directors shall appoint one of their number as Chairman of the Board and may appoint one of their number as Honorary Chairman of the Board. In addition, the Board of Directors may appoint one of their number as Acting Chairman of the Board. All of the duties and powers of the Chairman of the Board shall be vested in the Acting Chairman of the Board in the event of the absence of the Chairman or in the event that the Chairman ceases, for any reason, to be a member of the Board and the Board has not yet elected a successor. The Board of Directors shall appoint a Chief Executive Officer who may also be a Director. The Board of Directors may also appoint one or more Presidents, Senior Vice Presidents and Vice Presidents, who need not be Directors, and such other officers and agents with such powers and duties as the Board of Directors may prescribe. The Chief Executive Officer shall appoint a Treasurer and a Secretary, neither of whom need be a Director, and may appoint a Controller and one or more Assistant Vice Presidents, Assistant Controllers, Assistant Secretaries and Assistant Treasurers, none of whom need be a Director. All said officers shall hold office until the first meeting of the Board of Directors following the annual meeting of the stockholders next succeeding their respective elections, and until their successors are appointed and qualify. Any two of said offices, except those of President and Senior Vice President or Vice President, may, at the discretion of the Board of Directors, be held by the same person.

Section 2. Subject to any supervisory duties that may be given to the Chairman of the Board by the Board of Directors, the Chief Executive Officer shall have direct supervision and authority over the affairs of the Corporation. If the Chief Executive Officer is also a Director, and in the absence of the Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the Board of Directors at which he shall be present. He shall make a report of the operation of the Corporation for the preceding fiscal year to the stockholders at their annual meeting and shall perform such other duties as are incident to his office, or as from time to time may be assigned to him by the Board of Directors or the Executive Committee, or by these Bylaws.

Section 3. The Chairman of the Board shall preside at all meetings of the Board of Directors at which he shall be present and shall have such other powers and duties as from time to time may be assigned to him by the Board of Directors or the Executive Committee or by these Bylaws.

Section 4. The Chairman of the Executive Committee shall preside at all meetings of the Executive Committee at which he shall be present and, in the absence of the Chairman of the Board and the Chief Executive Officer, if the Chief Executive Officer is also a Director, shall preside at all meetings of the Board of Directors at which he shall be present.

Section 5. Except as otherwise provided in these Bylaws, the Presidents shall perform the duties and exercise all the functions of the Chief Executive Officer in his absence or during his inability to act, in such manner as from time to time may be determined by the Board of Directors or by the Executive Committee. The Presidents, Senior Vice Presidents and Vice Presidents shall have such other powers, and perform such other duties, as may be assigned to him or them by the Board of Directors, the Executive Committee, the Chairman of the Executive Committee, the Chief Executive Officer, or these Bylaws.

Section 6. The Secretary shall issue notices for all meetings, shall keep the minutes of all meetings, shall have charge of the records of the Corporation, and shall make such reports and perform such other duties as are incident to his office or are required of him by the Board of Directors, the Chairman of the Board, the Executive Committee, the Chairman of the Executive Committee, the Chief Executive Officer, or these Bylaws.

Section 7. The Treasurer shall have charge of all monies and securities of the Corporation and shall cause regular books of account to be kept. The Treasurer shall perform all duties incident to his office or are required by him of the Board of Directors, the Chairman of the Board, the Executive Committee, the Chairman of the Executive Committee, the Chief Executive Officer or these Bylaws, and may be required to give bond for the faithful performance of his duties in such sum and with such surety as may be required by the Board of Directors or the Executive Committee.

#### ARTICLE V.

##### Annual Statement of Affairs and Fiscal Year

Section 1. There shall be prepared annually a full and correct statement of the affairs of the Corporation, to include a balance sheet and a financial statement of the operations for the preceding fiscal year. The statement of affairs shall be submitted at the annual meeting of the stockholders and not more than twenty (20) days after the meeting, placed on file at the Corporation's principal office. Such statement shall be prepared or caused to be prepared by such executive officer of the Corporation as may be designated by the Board of Directors. If no other executive officer is so designated, it shall be the duty of the Chief Executive Officer to prepare or cause to be prepared such statement.

Section 2. The fiscal year of the Corporation shall end on the thirty-first day of December in each year, or on such other day as may be fixed from time to time by the Board of Directors.

#### ARTICLE VI.

##### Seal

The Board of Directors shall provide (with one or more duplicates) a suitable seal, containing the name of the Corporation, which shall be in the charge of the Secretary or Assistant Secretaries.

#### ARTICLE VII.

##### Stock

Section 1. Shares of capital stock of the Corporation may be issued as share certificates or may be uncertificated. If issued as share certificates, such certificates shall be issued in such form as may be approved by the Board of Directors and shall be signed by the Chief Executive Officer, the Chairman of the Board, a President, a Senior Vice

President or a Vice President, and also countersigned by one of the following: the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary; and shall be sealed with the seal of the Corporation (which may be in the form of a facsimile of the seal of the Corporation).

Section 2. The Board of Directors shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue and registration of certificates of stock, provided, however, that it shall conform to all requirements of any stock exchange upon which any class of its stock is listed.

Section 3. The Board of Directors at any time by resolution may direct that the stock transfer books be closed for a period not exceeding twenty days immediately preceding any annual or special meeting of the stockholders, or the payment of any dividend or any allotment of rights. In lieu of providing for the closing of the books against transfers of stock as aforesaid the Board of Directors may fix a date, not less than ten days nor more than ninety days preceding the date of any meeting of stockholders, and not more than ninety days preceding any dividend payment date or the date of any allotment of rights, as a record date for the determination of the stockholders entitled to notice of and to vote at such meeting, or entitled to receive such dividends or rights, as the case may be.

Section 4. In case any certificate of stock is lost, stolen, mutilated or destroyed, the Board of Directors shall authorize the issue of a new certificate in place thereof upon such terms and conditions as it may deem advisable.

#### ARTICLE VIII.

##### Execution of Instruments

All checks, drafts, bills of exchange, acceptances, debentures, bonds, coupons, notes or other obligations or evidences of indebtedness of the Corporation and also all deeds, mortgages, indentures, bills of sale, assignments, conveyances or other instruments of transfer, contracts, agreements, licenses, endorsements, stock powers, dividend orders, powers of attorney, proxies, waivers, consents, returns, reports, applications, appearances, complaints, declarations, petitions, stipulations, answers, denials, certificates, demands, notices or documents, instruments or writings of any nature shall be signed, executed, verified, acknowledged and delivered by such officers, agents or employees of the Corporation, or any one of them, and in such manner, as from time to time may be determined by the Board of Directors or by the Executive Committee, except as provided by statute, by the Charter or by these Bylaws.

#### ARTICLE IX.

##### Waiver of Notice of Meetings

Section 1. Notice of the time, place and/or purposes of any meeting of stockholders shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy; if any stockholder shall, in writing filed with the records of the meeting either before or after the holding thereof, waive notice of any stockholders meeting, notice thereof need not be given to him.

Section 2. Notice of any meeting of the Board of Directors need not be given to any Director if he shall, in writing filed with the records of the meeting either before or after the holding thereof, waive such notice; and any meeting of the Board of Directors shall be a legal meeting without notice thereof having been given, if all the Directors shall be present thereat.

#### ARTICLE X.

##### Amendment to Bylaws

Section 1. These Bylaws may be altered or repealed and new Bylaws may be adopted (a) at any annual or special meeting of stockholders by the affirmative vote of the holders of a majority of the voting power of the stock issued

and outstanding and entitled to vote thereat, provided, however, that to the extent set forth in the Charter any proposed alteration or repeal of, or the adoption of, any Bylaw shall require the affirmative vote of the holders of at least 80% of the voting power of all Voting Stock (as defined in the Charter) then outstanding, voting together as a single class, and provided, further, however, that, in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed alteration, repeal or adoption of the new Bylaw or Bylaws must be contained in the notice of such special meeting, or (b) by the affirmative vote of a majority of the Whole Board.

#### ARTICLE XI.

##### Indemnification

Section 1. The provisions of Section 2-418 of the Maryland General Corporation Law, as in effect from time to time, and any successor thereto, are hereby incorporated by reference in these Bylaws.

Section 2. Subject to the provisions of Section 4 of this Article XI, the Corporation (a) shall indemnify its Directors and officers, whether serving the Corporation or at its request any other entity, to the full extent required or permitted by the General Laws of the State of Maryland now or hereafter in force, including the advance of expenses under the procedures set forth in Section 3 hereof and to the full extent permitted by law and (b) may indemnify other employees and agents to such extent, if any, as shall be authorized by the Board of Directors and be permitted by law, and may advance expenses to employees and agents under the procedures set forth in Section 5 hereof. For purposes of this Article XI, the "advance of expenses" shall include the providing by the Corporation to a Director, officer, employee or agent who has been named a party to a proceeding, of legal representation by, or at the expense of, the Corporation.

Section 3. Any indemnification of an officer or Director or advance of expenses to an officer or Director in advance of the final disposition of any proceeding, shall be made promptly, and in any event within sixty (60) days, upon the written request of the Director or officer entitled to request indemnification. A request for advance of expenses shall contain the affirmation and undertaking described in Section 5 hereof and be delivered to the General Counsel of the Corporation or to the Chairman of the Board. The right of an officer or Director to indemnification and advance of expenses hereunder shall be enforceable by the officer or Director entitled to request indemnification in any court of competent jurisdiction, if (a) the Corporation denies such request, in whole or in part, or (b) no disposition thereof is made within sixty (60) days. The costs and expenses incurred by the officer or Director entitled to request indemnification in connection with successfully establishing his or her right to indemnification, in whole or in part, in any such action shall, subject to Section 4 hereof, also be indemnified by the Corporation. All rights of an officer or Director to indemnification and advance of expenses hereunder shall be deemed to be a contract between the Corporation and each Director or officer of the Corporation who serves or served in such capacity at any time while this Article XI is in effect.

Section 4. Anything in this Article XI to the contrary notwithstanding except in circumstances where indemnification is required under the General Laws of the State of Maryland now or hereafter in force, no indemnification of a Director or officer may be made hereunder unless a determination has been made in accordance with the procedures set forth in Section 2-418(a) of the Maryland General Corporation Law, as in effect from time to time and any successor thereto, that the officer or Director requesting indemnification has met the requisite standard of conduct. An officer or Director requesting indemnification shall have met the requisite standard of conduct unless it is established that: (a) the act or omission of the Director or officer was material to the matter giving rise to the proceeding, and (i) was committed in bad faith, or (ii) was the result of active and deliberate dishonesty; or (b) the Director or officer actually received an improper benefit in money, property or services; or (c) in the case of a criminal proceeding, the Director or officer had reasonable cause to believe the act or omission was unlawful.

Section 5. The Corporation may advance expenses, prior to the final disposition of any proceeding, to or on behalf of an employee or agent of the Corporation who is a party to a proceeding as to action while employed by or on behalf of the Corporation and who is neither an officer nor Director of the Corporation upon (a) the submission by the employee or agent to the General Counsel of the Corporation of a written affirmation that it is such employee's or agent's good faith belief that such employee or agent has met the standard of conduct as set forth in Section 4 hereof and an undertaking by such employee or agent to reimburse the Corporation for the advance of expenses by the Corporation to or on

behalf of such employee or agent if it shall ultimately be determined that the standard of conduct has not been met and (b) the determination by the General Counsel, in his discretion, that advance of expenses to the employee or agent is appropriate in light of all of the circumstances, subject to such additional conditions and restrictions not inconsistent with this Article XI as the General Counsel shall impose.

Section 6. The indemnification and advance of expenses provided by this Article XI (a) shall not be deemed exclusive of any other rights to which a person requesting indemnification or advance of expenses may be entitled under any law (common or statutory), or any agreement, vote of stockholders or disinterested Directors or other provision that is not contrary to law, both as to action in his or her official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Corporation, (b) shall continue in respect of all events occurring while a person was a Director, officer, employee or agent of the Corporation, and (c) shall inure to the benefit of the estate, heirs, executors and administrators of such person.

Section 7. This Article XI shall be effective from and after the date of its adoption and shall apply to all proceedings arising prior to or after such date, regardless of whether relating to facts or circumstances occurring prior to or after such date. Subject to Article X of these Bylaws nothing herein shall prevent the amendment of this Article XI, provided that no such amendment shall diminish the rights of any person hereunder with respect to events occurring or claims made before the adoption of such amendment or as to claims made after such adoption in respect of events occurring before such adoption.

Section 8. The Board of Directors may take such action as is necessary to carry out the indemnification provisions of this Article XI and is expressly empowered to adopt, approve and amend from time to time such resolutions or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law.

SECOND AMENDMENT  
TO  
AGREEMENT AND PLAN OF MERGER

This SECOND AMENDMENT TO AGREEMENT AND PLAN OF MERGER (this "Second Amendment"), dated as of May 1, 2001, is entered into by NCR CORPORATION, a Maryland corporation ("NCR"), and NCR Merger Sub Parent, Inc., a Delaware corporation ("NCR Merger Sub Parent").

RECITALS

WHEREAS, NCR, NCR Merger Sub Inc. ("NCR Merger Sub") and 4Front Technologies, Inc. ("4Front") were parties to the Agreement and Plan of Merger, dated as of August 2, 2000, as amended pursuant to the Amendment to Agreement and Plan of Merger, dated as of October 6, 2000, among NCR, 4Front, NCR Merger Sub, and NCR Merger Sub Parent (the "Agreement"); and

WHEREAS, NCR Merger Sub and 4Front merged, effective as of October 16, 2000, at which time NCR Merger Sub ceased to exist;

WHEREAS, on December 21, 2000, in exchange for \$47,700,000 of the outstanding shares of NCR UK Holdings Limited ("NCR UK Holdings"), a \$100,000,000 promissory note of NCR, dated October 13, 2000, and a newly issued \$82,600,000 promissory note of NCR UK Holdings, 4Front transferred to NCR UK Holdings: (a) shares and quotas of, and participation interests in, the following companies, all wholly-owned, directly or indirectly, by 4Front (i) 4Front Group PLC, an English company, (ii) 4Front Technologies France S.A., a French company, (iii) Labfire Limited, an Irish company, and (iv) SIL Service Industries Europe, a Netherlands company, SIL Service Industries Europe (Deutschland) GmbH, a German company, SIL Service Industries France SARL, a French company, SIL Service Industries Spain SL, a Spanish company, and SIL Service Industries spol. s.r.o., a Czech Republic company (together, the "SIL Companies"); (b) accounts receivable; and (c) cash; and

WHEREAS, in connection with the foregoing reorganization, on December 21, 2000, 4Front distributed its NCR UK Holdings shares and the other consideration described above to its sole shareholder, NCR Merger Sub Parent, and the Board of Directors of 4Front approved its liquidation and dissolution on December 22, 2000, and 4Front's Certificate of Dissolution was filed in the Office of the Secretary of the State of Delaware and effective on January 8, 2001;

WHEREAS, NCR indirectly through NCR UK Holdings currently owns all of the interests of the Services Industries Limited group of companies, including the SIL Companies (the "SIL Group") acquired in connection with the acquisition of 4Front;

WHEREAS, the parties to the Agreement always intended to sell the SIL Group to a third party as soon as practicable after the acquisition of 4Front by NCR;

WHEREAS, NCR and NCR Merger Sub Parent wish to amend the Agreement pursuant to Section 9.5 thereof to clearly reflect their intent regarding certain matters reflected in Section 6.11 of the Agreement as such intent existed on the original date of execution of the Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the premises, and the mutual agreements and covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, hereby agree as follows:

1. DEFINITIONS

1.1 Unless otherwise defined herein, all capitalized terms used herein and defined in the Agreement shall have the meaning ascribed to such terms in the Agreement.



2. AMENDMENT OF AGREEMENT

2.1. The Agreement shall be amended as follows:

(a) The following definition shall be added to Section 1.1 of the Agreement:

"SIL Group" shall mean the Services Industries Limited group of companies, as listed on Exhibit A of this Second Amendment.

(b) The first sentence of Section 6.11(b) of the Agreement shall be deleted in its entirety and replaced with the following text:

After a period of one year from the Closing, Parent shall cause the Surviving Entity to provide pension, health and welfare benefits to Employees (other than the employees of the SIL Group) who continue their employment after the Effective Time which are generally comparable in the aggregate to such benefits provided to other similarly situated employees of Parent and its Subsidiaries.

2.2. Except as amended hereby, the Parties ratify and confirm the terms of the Agreement.

3. COUNTERPARTS

3.1 This Second Amendment may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this Second Amendment as of the date first above written.

NCR CORPORATION

By: /s/ Paul H. Thurman  
-----  
Name: Paul H. Thurman

NCR MERGER SUB PARENT, INC.

By: /s/ Paul H. Thurman  
-----  
Name: Paul H. Thurman

EXHIBIT A

1. Service Industries Europe spol s.r.o.
2. SIL Service Industries France SARL
3. SIL Service Industries Europe (Duetschland) GmbH
4. SIL Service Industries Europe B.V.
5. SIL Service Industries Europe S.L.
6. RTB Corporation SL (Spain)
7. Service Industries Polska

[NCR Logo]  
1700 South Patterson Boulevard  
Dayton, Ohio 45479

June 18, 2001

Mr. Howard Lance  
[address]

Dear Howard:

I am delighted to extend to you an offer of employment with NCR Corporation to lead the Retail and Financial Group. This position will have all operating responsibilities for NCR's Financial Self Service, Retail Store Automation, Worldwide Customer Services and Systemedia businesses, which generate the majority of revenues and profits. In this position, you will report directly to me, as Chairman & CEO, and become a member of the Executive Committee. We will determine a start date that is mutually agreeable. In addition to the standard employment terms specified in the enclosed attachment, this offer is contingent on the approval of NCR Board of Directors.

Title - In this position, your title will be President, and Chief Operating Officer of the Retail Financial Group, subject to approval of the NCR Board of Directors.

Annual Base Salary - Your base salary will be \$625,000, commencing as of your effective start date. You will be paid on a bi-weekly pay schedule, one week in arrears. Your paycheck will be automatically deposited in the bank of your choice via our convenient Easipay plan.

Sign-On Bonus - You will be extended a \$300,000 gross sign-on bonus and will be paid within thirty days of your effective start date. All applicable taxes will be withheld from this award. Your sign-on bonus will not be treated as compensation for purposes of determining employee pensions and benefits.

Incentive Award - You will be eligible to participate in the Management Incentive Plan for Executive Officers (MIP), which provides year-end incentive awards based on the success of NCR in meeting annual performance objectives. For your position, the targeted incentive opportunity is 80% of your salary (\$500,000) and the maximum award is 160% (\$1,000,000) of your salary. Given the fact that you will forfeit your 2001 bonus at your current company, NCR will guarantee your proposed target incentive award (\$500,000) for 2001. You may elect to receive this bonus earlier than the scheduled March 2002 payout date at your discretion, but no earlier than October 1, 2001. If the actual 2001 incentive payout is greater than target, you will receive an incremental bonus (up to \$500,000) in March 2002.

For 2001, incentive compensation objectives have been established, and include measurements based on revenue, net income and operating income after a charge for capital.

Equity Awards -  
Stock Options/One Time Grant - In lieu of your current compensation and equity situation, you will receive a one-time stock option grant of 175,000 options. These options will be subject to terms and conditions, including a non-

competition provision, determined by the NCR Board of Directors. Future grants are discretionary and set annually by the Board of Directors. The terms of this special stock option grant are as follows:

- . Grant date: Effective date of employment
- . Exercise price: Fair market value on grant date, calculated as the average of the high and low prices for NCR.
- . Vesting schedule: 1/3 each year for 3 years beginning on your 1 year anniversary

Stock Options/2002 Advance Management Stock Grant - On your first date of employment, you will receive a stock option grant for 75,000 shares of NCR common stock. These options will be subject to terms and conditions, including a non-competition provision, determined by the NCR Board of Directors. Future grants are discretionary and set annually by the Board of Directors. The terms of this option grant provide for a grant date as of the date of employment at a strike price equal to the fair market value of NCR stock on that day. The options have a 10 year term and vest on a 3 year cycle equally beginning on your 1 year anniversary date.

Given the grant above, you will not receive a management stock option grant in Q1 2002 when NCR management is awarded their 2002 stock option grants. However, you will be eligible for future management stock option grants, beginning in 2003. Although we cannot make a commitment about future stock option awards, given past awards for this position and current expectations, we would anticipate that the award of stock options would have an approximate face value of \$3.75 million or more. Again, as I know you appreciate, any actual award will be as finally determined by NCR's Compensation Committee of the Board of Directors.

Restricted Stock - In lieu of your current compensation and equity situation, you will receive a special grant of 75,000 common shares of NCR restricted stock. The shares will be held in a record account established in your name with NCR's Transfer Agent and Stock Registrar (American Stock Transfer), on the date of your employment. The shares will vest in increments of 25,000 shares each year on October 1, with the first increment vesting on October 1, 2001.

We will guarantee a minimum value of \$1,313,000 for the shares which vest on October 1, 2001. Based on NCR's price at \$47, the current value of the initial vesting of 25,000 shares is approximately \$1,175,000. However, if NCR's average stock price is less than \$52.52 on October 1, 2001, we will grant additional shares to compensate for the difference to increase the total value to \$1,313,000. The remaining 50,000 shares will vest as indicated in the paragraph above.

The restricted stock will be subject to other terms and conditions determined by the NCR Board of Directors, including a non-competition provision.

Incentives in General - For an officer in your position, short- and long-  
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term incentives at NCR currently take the form of the MIP and stock options. Since these incentives are designed to address the conditions of an ever-changing marketplace, NCR cannot make any definitive representations concerning the continuation of either program or the size of the individual awards.

Vacation - In recognition of your prior work experience, you will be  
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eligible for four weeks of paid vacation.

NCR Benefits - On your first day of employment with NCR, the company  
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provides you and your eligible dependents with the following core benefit coverage:

- NCR Health Care Coverage
- NCR Dental Care Coverage
- Short-Term and Long-Term Disability Coverages
- Life Insurance Coverage
- Accidental Death and Dismemberment Insurance Coverage

As a new employee of NCR, you have the opportunity to design your own personalized benefit program through Personal Choice, the company's flexible benefits program. After your employment commences, you will receive

the NCR Benefits Information Package, and a Benefit representative will meet with you to guide you through any questions you may have.

Additionally, you will be eligible to participate in the NCR Pension Plan, the NCR Savings Plan (401k), and the NCR Stock Purchase Plan. The Benefits Overview provides more information about NCR benefits.

Retirement - In addition to your participation in the NCR Pension Plan

(qualified plan), you will also participate in the following nonqualified pension plans:

The Retirement Plan for Officers of NCR Corporation (SERP II) - The plan provides a career average pension of 2.5% of the total of your base salary and MIP award, times your years of service as an Officer and less pension accrued as an Officer in other NCR sponsored plans. While this plan currently vests after ten years of officer service, NCR plans to recommend to the Compensation Committee of the Board of Directors to change the vesting schedule to five years, which is more in line with competitive analogs and mirrors the qualified pension plan vesting pertaining to all employees. However, there can be no assurance that this proposed change will be adopted.

The NCR Mid-Career Hire Supplemental Pension Plan - This plan provides a pension supplement to make up for lost pension that could result from not having a "full career" with one company. This pension supplement is in addition to the SERP II benefit.

Financial Counseling - You will be eligible to participate in a financial

counseling program provided through one of three consulting firms designated by the Company. The Company will pay up to \$8,000 annually for financial planning, estate planning and tax preparation plus a gross-up for the tax impact of this service. Further information on this program will be provided separately.

Relocation - You will be eligible for relocation benefits under NCR's

Relocation Policy under Tier II Benefits. A copy of the NCR Relocation Policy is enclosed. It is expected that you will move to Dayton, Ohio within a maximum of 3 months of your start date. In the interim, NCR will arrange temporary housing/accommodations for you in Dayton. NCR will also reimburse you for commissions related to the sale of your home in St. Louis, not to exceed seven percent.

In addition to the standard relocation benefits, NCR will facilitate the enrollment of your children in private schools in the Dayton area.

Change in Control - You will participate in NCR's current Change in Control

Severance Plan for Executive Officers. In the event of a qualified Change-In-Control (as defined in this Plan), you will receive three times your base salary and targeted bonus plus immediate vesting of your NCR stock options and restricted stock.

Severance - In the event of a Company initiated termination other than for

"Cause" or termination for "Good Reason" (defined in the same manner as in the NCR Change-in-Control Severance Plan for Executive Officers), you will receive a cash payment of one times your annual base salary. Should termination occur prior to October 1, 2001, you will also receive immediate vesting of 25,000 shares of NCR restricted stock or the shares equivalent to \$1,313,000, whichever is greater.

Voluntary Termination - In the event of voluntary separation within 12

months from the effective start date of your employment, you will be required to reimburse NCR in full for payments previously disbursed as your sign-on bonus and the 2001 guaranteed target bonus.

Documentation of Current Compensation - We request you provide copies of

the plan documents for the following Emerson Electric benefits: Stock Options, Restricted Stock Awards, and Performance Share Awards.

Accepting this Offer of Employment - By accepting and signing NCR's offer

of employment, you certify to NCR that you are not subject to a non-competition agreement with any company which would preclude or restrict you from performing the NCR position being offered in this letter. We also advise you of NCR's strong policy of

respecting the intellectual property rights of other companies. You should not bring with you to your NCR position any documents or materials designated as confidential, proprietary or trade secret by another company, nor in any other way disclose trade secret information while employed by NCR.

This offer is valid until Wednesday, June 20, 2001 5:00 p.m. EDT. Please  
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return this document signed indicating your acceptance or rejection.

This letter reflects the entire agreement regarding the terms and conditions of your employment. Accordingly, it supersedes and completely replaces any prior oral or written communication on this subject. This letter is not an employment contract and should not be construed or interpreted as containing any guarantee of continued employment. The employment relationship at NCR is by mutual consent ("Employment-At-Will"). This means that managers have the right to terminate their employment at any time and for any reason. Likewise, the Company reserves the right to discontinue your employment with or without cause at any time and for any reason. Also, this offer is contingent upon completion of full reference checks.

Howard, we are enthusiastic about the contributions, experience and vision you can bring to NCR. The company is positioned well in our market to be exceedingly successful and I personally would like to extend this opportunity for you to be a part of my Executive Committee team.

If you have any questions concerning the details of the appointment or wish to obtain more information regarding specific benefits, please feel free to contact Wilbert Buitter or me.

Sincerely,

/s/ Lars Nyberg

Lars Nyberg

pc: W. Buitter

NCR Employment Offer dated June 18, 2001 to Howard Lance  
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I accept:

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/s/ Howard Lance  
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Signature

June 26, 2001  
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Date: (MM, DD, YY)

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Howard Lance  
-----  
Printed Name

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SSN

I decline:

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Date: (MM, DD, YY)

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Signature

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Printed Name