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

FORM 10-Q

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

For the quarterly period ended September 30, 1998

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, \$.01 par value per share, outstanding as of October 30, 1998 was 98,068,127.

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Part I. Financial Information

Item 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

In millions, except per share amounts

	Quarter Ended September 30		Nine Months Ended September 30	
	1998	1997	1998	1997
Revenue				
Sales	\$ 851	\$ 870	\$2,371	\$2,514
Services	704	693	2,067	2,083
Total Revenue	1,555	1,563	4,438	4,597
Operating Expenses				
Cost of sales	561	601	1,585	1,725
Cost of services	533	513	1,566	1,565
Selling, general and administrative expenses	342	368	1,009	1,080
Research and development expenses	86	97	256	280
Total Operating Expenses	1,552	1,579	4,416	4,650
Income (Loss) from Operations	33	(16)	22	(53)
Interest expense	2	4	9	10
Other (income) expense, net	(11)	(13)	(66)	(43)
Non-recurring gain from asset disposition	-	-	(55)	-
Income (Loss) Before Income Taxes	42	(7)	134	(20)
Income tax expense	17	2	61	9
Net Income (Loss)	\$ 25	\$ (9)	\$ 73	\$ (29)
Net Income (Loss) per Common Share				
Basic	\$.25	\$ (.09)	\$.72	\$ (.28)
Diluted	\$.25	\$ (.09)	\$.71	\$ (.28)
Weighted Average Common Shares Outstanding				
Basic	99.9	102.5	101.9	102.0
Diluted	100.7	102.5	102.9	102.0

See accompanying notes.

CONDENSED CONSOLIDATED BALANCE SHEETS
In millions, except per share amounts

	September 30 1998	December 31 1997
	----- (Unaudited)	-----
Assets		
Current assets		
Cash and short-term investments	\$ 536	\$1,129
Accounts receivable, net	1,485	1,471
Inventories	458	489
Other current assets	168	182
	-----	-----
Total Current Assets	2,647	3,271
Reworkable service parts, net	224	248
Property, plant and equipment, net	865	858
Other assets	1,089	916
	-----	-----
Total Assets	\$4,825	\$5,293
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings	\$ 75	\$ 59
Accounts payable	293	378
Payroll and benefits liabilities	326	343
Customers' deposits and deferred service revenue	401	348
Other current liabilities	757	836
	-----	-----
Total Current Liabilities	1,852	1,964
Long-term debt	33	35
Pension and indemnity liabilities	362	342
Postretirement and postemployment benefits liabilities	737	813
Other liabilities	530	522
Minority interests	44	264
	-----	-----
Total Liabilities	3,558	3,940
	-----	-----
Commitments and contingencies		
Shareholders' Equity		
Preferred stock: par value \$.01 per share, 100.0 shares authorized, no shares issued or outstanding	-	-
Common stock: par value \$.01 per share, 500.0 shares authorized; 104.3 and 103.2 shares issued at September 30, 1998 and December 31, 1997, respectively; 98.0 and 103.2 shares outstanding at September 30, 1998 and December 31, 1997, respectively	1	1
Retained earnings and paid-in capital	1,365	1,445
Other	(99)	(93)
	-----	-----
Total Shareholders' Equity	1,267	1,353
	-----	-----
Total Liabilities and Shareholders' Equity	\$4,825	\$5,293
	=====	=====

See accompanying notes.

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

	Nine Months Ended September 30	
	1998	1997
Operating Activities		
Net income (loss)	\$ 73	\$ (29)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	274	278
Net gain on sale of assets	(55)	-
Changes in operating assets and liabilities:		
Receivables	(6)	94
Inventories	(56)	(101)
Other operating assets and liabilities	(357)	(218)
Net Cash Provided by (Used in) Operating Activities	(127)	24
Investing Activities		
Short-term investments, net	150	(214)
Expenditures for service parts	(101)	(90)
Expenditures for property, plant and equipment	(142)	(125)
Acquisition of minority interest in subsidiary	(271)	-
Proceeds from sale of facilities and other assets	172	-
Other investing activities	26	9
Net Cash Used in Investing Activities	(166)	(420)
Financing Activities		
Purchases of Company common stock	(200)	-
Short-term borrowings, net	16	41
Repayments of long-term debt	(2)	(12)
Other financing activities	44	29
Net Cash Provided by (Used in) Financing Activities	(142)	58
Effect of exchange rate changes on cash and cash equivalents	(8)	(52)
Decrease in Cash and Cash Equivalents	(443)	(390)
Cash and Cash Equivalents at Beginning of Period	886	1,163
Cash and Cash Equivalents at End of Period	\$ 443	\$ 773

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared by NCR Corporation (NCR) 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 1997 Annual Report to Stockholders, Form 10-K for the year ended December 31, 1997 and reports on Form 10-Q for the quarters ended March 31, 1998 and June 30, 1998.

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

2. SUPPLEMENTAL FINANCIAL INFORMATION (in millions)

	Periods Ended Three Months		September 30 Nine Months	
	1998	1997	1998	1997
Comprehensive Income				
Net income (loss)	\$ 25	\$ (9)	\$ 73	\$ (29)
Other comprehensive income:				
Additional minimum pension liability	-	-	15	-
Equity translation adjustment	22	(74)	(18)	(39)
Total comprehensive income	\$ 47	\$ (83)	\$ 70	\$ (68)

	September 30 1998	December 31 1997
Cash and Short-Term Investments		
Cash and cash equivalents	\$ 443	\$ 886
Short-term investments	93	243
Total cash and short-term investments	\$ 536	\$1,129
Inventories		
Finished goods	\$ 376	\$ 353
Work in process and raw materials	82	136
Total inventories	\$ 458	\$ 489

3. 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. Such matters are subject to the resolution of many uncertainties, and accordingly, outcomes are not predictable with assurance. 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 amounts required to discharge alleged liabilities from various lawsuits, claims, legal proceedings, and other matters, 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, or cash flows. Any amounts of costs that may be incurred in excess of those amounts provided as of September 30, 1998 cannot presently be determined.

Environmental Matters

NCR's facilities and operations are subject to a wide range of environmental protection laws in the U.S. and other countries related to solid and hazardous waste disposal, the control of air emissions and water discharges, and the mitigation of impacts to the environment from past operations and practices. NCR has investigatory and remedial activities underway at a number of currently and formerly owned or operated facilities to comply, or to determine compliance, with applicable environmental

protection laws. 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 a variety of statutory schemes, both state and federal, 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.

In February 1996, NCR received notice from the U.S. Department of the Interior, Fish & Wildlife Service (USF&WS) that USF&WS considers NCR a PRP under the FWPCA and CERCLA with respect to alleged natural resource restoration and damages 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 from liability arising out of NCR's former carbonless paper manufacturing operations at Appleton and Combined Locks, Wisconsin. USF&WS has also notified a number of other manufacturing companies of their status as PRPs under the FWPCA and CERCLA for natural resource restoration and damages in the Fox River System resulting from their ongoing or former paper manufacturing operations in the Fox River Valley. In addition, NCR has been identified, along with a number of other companies, by the Wisconsin Department of Natural Resources (State) with respect to alleged liability arising out of alleged past discharges that have contaminated sediments in the Fox River System. In December 1996, USF&WS, two Native American tribes, and other federal agencies (Federal Trustees) invited NCR, the other PRP companies, and the State to enter into settlement negotiations over these environmental claims. In January 1997, NCR and the other PRP companies reached agreement on an interim settlement with the State. The Federal Trustees are not parties to that agreement. In January 1997, the Federal Trustees notified NCR and the other PRPs of the Federal Trustees' intent to commence a natural resource damages lawsuit under CERCLA and the FWPCA within 60 days of the notice, unless a negotiated resolution of their claims could be reached. In July 1997, the State, the United States Environmental Protection Agency (USEPA), and the Federal Trustees entered into a Memorandum of Agreement (MOA). The MOA states that it provides a framework under which the parties to that agreement can coordinate remedial and restoration studies and actions regarding the Fox River, including the assertion of claims against the PRPs, and that removal of the PCB-contaminated sediments is expected to be the principal, but not exclusive, action undertaken to achieve restoration of impaired natural resources. In June 1997, USEPA announced its intention to propose the Fox River for inclusion on the National Priorities List (NPL); shortly thereafter, the State of Wisconsin announced its opposition to such listing. (In July 1998, the USEPS formally proposed the Fox River for inclusion on the NPL.) In July 1997, the USEPA sent the PRPs a Special Notice Letter calling for formal negotiations on the preparation of a remedial investigation and feasibility study (RI/FS) on the Fox River; on July 15, 1997, the PRPs agreed to enter into such negotiations. In December 1997, USEPA denied the PRPs' good faith proposal to perform the official cleanup studies, took control of the cleanup study process, and is working on the studies in conjunction with the State. According to USEPA's and the State's schedule, the key studies may be done in approximately six months. Based on past experience, it would be unusual to perform adequately such studies within this time frame. Thus far, the PRPs and the Federal Trustees have agreed to postpone litigation while negotiations over the cleanup studies have been taking place. However, the tolling and standstill agreements between the Federal Trustees and NCR and the other identified PRPs have expired. USEPA's recent decision to take control over the cleanup studies appears to minimize the PRP's ability to settle at this time and it is possible that litigation by the Federal Trustees could be commenced at any time. An estimate of NCR's ultimate share, if any, of such cleanup costs or natural resource restoration and damages liability cannot be made with certainty at this time due to (i) the unknown magnitude, scope, and source of any alleged contamination, (ii) the absence of selected remedial objectives and methods, and (iii) the uncertainty of the amount and scope of any alleged natural resource restoration and damages. NCR believes that there are additional PRPs who may be liable for such natural resource damages and remediation costs. Further, in 1978, NCR sold the business to which the claims apply. In this connection, NCR commenced litigation against the buyer and its former parent alleging that they are responsible for the above-described claims. The parties have reached an interim partial settlement and arbitration agreement under which the parties are presently, and for the foreseeable future will be, 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 of the liability is reasonably estimable. 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 may be ten to twenty years or more. Provisions for estimated losses from environmental 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. The amounts provided for environmental matters in NCR's consolidated financial statements are the estimated gross undiscounted amount 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.

Legal Proceedings

In NCR's report on Form 10-Q for the quarter ended March 31, 1998, NCR reported that there were approximately 70 product liability cases pending against NCR alleging that its products caused so-called "repetitive strain injuries" or "musculoskeletal disorders," such as carpal tunnel syndrome (the "RSI Cases"). The RSI Cases are now nearly concluded. The vast majority of these cases either have been dismissed voluntarily by the plaintiffs or are the subject of an agreement, which NCR expects to be concluded in the near future, that resolves the underlying claims. That agreement, and NCR's obligations thereunder, will not have a material impact on NCR's consolidated results of operations, financial condition or cash flows. A small number of RSI Cases remains pending in the courts, but resolution of them, whether by trial or by agreement, is not expected to have a material impact on NCR's consolidated results of operations, financial condition or cash flows.

NCR was named as one of the defendants in a purported class-action suit filed in November 1996 in Florida. The complaint seeks, among other things, damages from the defendants in the aggregate amount of \$200 million, trebled, plus attorneys' fees, based on state antitrust and common-law claims of unlawful restraints of trade, monopolization, and unfair business practices. The portions of the complaint pertinent to NCR, among other things, assert a purported agreement between Siemens-Nixdorf entities (Siemens) and NCR regarding the servicing of certain "ultra-high speed printers" manufactured by Siemens and the agreement's impact upon independent service organizations, brokers, and end-users of such printers. The case is still in the discovery stage on class certification issues. The amount of any liabilities or other costs, if any, that may be incurred in connection with this matter cannot currently be determined.

A former NCR employee (who currently has a separate federal court employment action pending against NCR to contest her termination) and her husband filed suit against NCR under the False Claims Act, which permits private individuals to bring suit on behalf of the federal government to enforce the Act and to share in any recovery. The litigation involves allegations of improper billing under a contract with the U.S. Department of Transportation. The complaint does not specify the total amount of money being sought. NCR has no evidence, or reason to believe, that such false billing occurred and is vigorously contesting the allegations. The government, which is obligated to investigate the allegations and determine whether to assume prosecution, has declined to intervene in the lawsuit. In late September, NCR's motion to dismiss the complaint in the False Claims Act case was granted, and in October the parties agreed to settle the wrongful termination matter out of court for an undisclosed and non-material amount.

4. STOCK REPURCHASE PROGRAM

On April 16, 1998, NCR's Board of Directors approved a share repurchase program authorizing the repurchase of shares valued up to \$200 million. In the third quarter of 1998, the Company completed its stock buyback program and, as of September 30, has purchased a total of 6.3 million shares at a cost of \$200 million.

5. EARNINGS PER SHARE

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares outstanding during the reported period. The calculation of diluted earnings (loss) 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. For the quarter and nine months ended September 30, 1997 such potential common stock was not considered in the calculation of earnings (loss) per share as their effects would be antidilutive.

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

RESULTS OF OPERATIONS

The following table displays selected components of NCR's consolidated statements of operations, expressed as a percentage of revenue.

	Three Months Ended September 30		Nine Months Ended September 30	
	1998	1997	1998	1997
Revenue:				
Sales	54.7%	55.7%	53.4%	54.7%
Services	45.3	44.3	46.6	45.3
Total	100.0%	100.0%	100.0%	100.0%
Gross Margin:				
Sales	34.1%	30.9%	33.2%	31.4%
Services	24.3	26.0	24.2	24.9
Total	29.6	28.7	29.0	28.4
Selling, general and administrative expenses	22.0	23.5	22.7	23.5
Research and development expenses	5.5	6.2	5.8	6.1
Income (loss) from operations	2.1%	(1.0)%	0.5%	(1.2)%

Three Months Ended September 30, 1998 Compared to Three Months Ended September 30, 1997

Results of Operations

Revenue: Revenue for the three months ended September 30, 1998 was \$1,555 million, a decrease of 1% from the third quarter of 1997. When adjusted for the impact of changes in foreign currency exchange rates, revenue was up 2% compared with the third quarter of 1997.

Sales revenue decreased 2% to \$851 million in the third quarter of 1998 compared to the third quarter of 1997. Revenue gains in the quarter in financial products of 13% and enterprise servers (computers and software used for data warehouses) of 4% were more than offset by planned revenue declines in other computer products of 18%. The other computer product group includes many products that NCR once sold in volume, but now sells largely as a solution component. Retail product revenues also declined somewhat in the quarter. Services revenue increased 2% to \$704 million in the third quarter of 1998 compared to the third quarter of 1997, due to revenue gains in both customer support services and professional services.

Revenue in the third quarter of 1998 compared with the third quarter of 1997 increased 10% in the Americas, increased 2% in Europe/Middle East/Africa (EMEA), decreased 24% in Japan and decreased 30% in the Asia Pacific region, excluding Japan. The revenue declines experienced in Japan and the Asia Pacific region, excluding Japan, reflect the difficult economic conditions in those areas. When adjusted for the impact of changes in foreign currency exchange rates, revenue on a local currency basis was flat in EMEA, decreased 13% in Japan, and decreased 17% in the Asia Pacific region, excluding Japan. The Americas region comprised 55% of NCR's total revenue in the third quarter of 1998, EMEA region comprised 30%, Japan comprised 9% and the Asia Pacific region, excluding Japan, comprised 6%.

Gross Margin and Operating Expenses: Gross margin as a percentage of revenue increased 0.9 percentage points to 29.6% in the third quarter of 1998 from 28.7% in the third quarter of 1997. Sales gross margin increased 3.2 percentage points to 34.1% in the third quarter of 1998. This increase is attributable to favorable product mix, as sales of higher margin products used in data warehousing increased, while sales of lower margin products, such as other computer products, generally declined. Services gross margin decreased 1.7 percentage points to 24.3% in the third quarter of 1998 due primarily to

declines in customer support and professional services margins.

Selling, general and administrative expenses decreased \$26 million, or 7%, in the third quarter of 1998 from the third quarter of 1997. The decrease was mainly driven by reductions in general and administrative expenses due to NCR's continued focus on expense discipline and headcount reductions. As a percentage of revenue, selling, general and administrative expenses were 22.0% in the third quarter of 1998 and 23.5% in the third quarter of 1997. Research and development expenses decreased \$11 million to \$86 million in the third quarter of 1998. As a percentage of revenue, research and development expenses were 5.5% in the third quarter of 1998 versus 6.2% in the third quarter of 1997. The third quarter research and development expenses reflect stabilized spending levels for 1998; however, the allocation continues to move toward software and solutions development efforts, with less emphasis on hardware, operating systems and middleware.

Gross margin and operating expenses reflect the favorable impact in the third quarter of 1998 of a \$18 million pre-tax gain relating to the curtailment of postretirement health care benefits for certain employees. NCR expects that the curtailment of these benefits will also provide on-going favorable impacts to gross margin and operating expenses through reduced postretirement costs. Comparatively, in the third quarter of 1997, gross margin and operating expenses were favorably impacted by a \$23 million decrease in pension expense resulting from the finalization of the valuation of NCR's December 31, 1996 domestic pension assets which were previously held as part of a master trust managed by AT&T Corp. (AT&T).

Provision for Income Taxes: Income tax provisions for interim periods are based on estimated annual income tax rates. The provision for income taxes was \$17 million in the third quarter of 1998 compared to \$2 million in the third quarter of 1997. The third quarter 1998 tax provision compared to the same period in 1997, reflects the overall improvement in NCR's profitability, coupled with a return to more normalized tax rate levels. The normalization of tax rates is primarily due to improved profitability in certain tax jurisdictions, primarily the United States.

Nine Months Ended September 30, 1998 Compared to Nine Months Ended September 30, 1997

Results of Operations

Revenue: Revenue for the nine months ended September 30, 1998 was \$4,438 million, a decrease of 3% from the comparable period last year. When adjusted for the unfavorable impact in foreign currency exchange rates, revenue was flat in relation to 1997.

Sales revenue decreased 6% to \$2,371 million in the first nine months of 1998 compared to the same period of 1997. Revenue gains in financial products of 6% and enterprise servers of 2% were more than offset by planned revenue declines in other computer products of 18%. The other computer product group includes many products that NCR once sold in volume, but now sells largely as a solution component. Retail product revenue also declined 6% in the first nine months of 1998. Services revenue decreased 1% to \$2,067 million in the first nine months of 1998 compared to the same period of 1997, primarily due to declines in professional services revenue.

Revenue in the first nine months of 1998 compared with the first nine months of 1997 increased 3% in the Americas, increased 2% in EMEA, decreased 22% in Japan, and decreased 30% in the Asia Pacific region, excluding Japan. The revenue declines experienced in Japan and the Asia Pacific region, excluding Japan, reflect the difficult economic conditions in those areas. When adjusted for the unfavorable impact of foreign currency exchange rates, revenue on a local currency basis increased 3% in EMEA, decreased 13% in Japan, and decreased 14% in the Asia Pacific region, excluding Japan. The Americas region comprised 53% of NCR's total revenues in the first nine months of 1998, EMEA region comprised 31%, Japan comprised 10% and the Asia Pacific region, excluding Japan, comprised 6%.

Gross Margin and Operating Expenses: Gross margin as a percentage of revenue increased 0.6 percentage points to 29% in the first nine months of 1998 from 28.4% in the first nine months of 1997. Sales gross margins increased 1.8 percentage points to 33.2% in the first nine months of 1998. This increase is primarily due to the shift of revenues to sales of higher-margin financial products and enterprise servers, coupled with a decrease in sales of lower-margin other computer products. Services gross margins were down 0.7 percentage points to 24.2% in the first nine months of 1998 primarily due to declines in professional services margins. This decrease is mainly attributed to NCR's fixed cost structure which was designed to support higher professional services revenue levels than were realized in the first nine months of 1998.

Selling, general and administrative expenses decreased \$71 million, or 7%, in the first nine months of 1998. The decrease was primarily the result of NCR's continued focus on expense discipline, headcount reductions and the favorable impact on expenses of foreign currency exchange rates. As a percentage of revenue, selling, general and administrative expenses were 22.7% in the first nine months of 1998 and 23.5% in the same period of 1997. Research and development expenses decreased \$24 million to \$256 million in the first nine months of 1998. As a percentage of revenue, research and development expenses were 5.8% in the first nine months of 1998 and 6.1% in the first nine months of 1997. The 1998 research and development expenses reflect stabilized spending levels; however, the allocation continues to move toward software and solutions development efforts, with less emphasis on hardware, operating systems and middleware.

Other Income: Other income, net of expenses, was \$121 million in the first nine months of 1998 compared to \$43 million in the first nine months of 1997. The increase over 1997 primarily reflects the \$55 million pre-tax gain on the sale of NCR's TOP END(R) middleware software to BEA Systems, Inc. (BEA).

Provision for Income Taxes: The provision for income taxes was \$61 million in the first nine months of 1998 compared to \$9 million in the first nine months of 1997. The 1998 tax provision compared to the same period in 1997, reflects the overall

improvement in NCR's profitability, coupled with a return to more normalized tax rate levels. The normalization of tax rates is primarily due to improved profitability in certain tax jurisdictions, primarily the United States.

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

NCR's cash and short-term investments totaled \$536 million at September 30, 1998 compared to \$1,129 million at December 31, 1997. This reduction was primarily due to the Company's acquisition of an additional 27% ownership interest in its Japanese subsidiary at a cost of \$271 million and its \$200 million stock repurchase program.

Operating Activities: Net cash flows used in operating activities were \$127 million in the first nine months of 1998 compared to \$24 million provided by operating activities in the first nine months of 1997. The use of cash in operations in 1998 reflects a decline in other operating assets and liabilities primarily due to amounts paid for severance benefits and the acquisition of certain long-term assets. In addition, the 1998 operating activities also included the \$55 million gain on the sale of TOP END to BEA. In the second quarter of 1997, net cash flows provided by operations included the receipt of approximately \$90 million from AT&T in accordance with certain tax allocation agreements entered into at the time NCR was spun-off from AT&T. No similar payments were included in the 1998 cash flows.

Investing Activities: Net cash flows used in investing activities were \$166 million in the first nine months of 1998 and \$420 million in the same period of 1997. In 1998, NCR purchased the minority interest in its Japanese subsidiary for \$271 million. This use of cash was partially offset by proceeds from the sale of NCR's TOP END middleware technology to BEA and the sale of NCR's retail and computer systems manufacturing operations to Solectron Corporation (Solectron). Capital expenditures were \$243 million for the first nine months of 1998 and \$215 million for the comparable period in 1997. Capital expenditures generally relate to expenditures for reworkable parts used to service customer equipment, expenditures for equipment and facilities used in research and development, and expenditures for facilities to support sales and marketing activities. Short-term investment activity provided \$150 million of cash in the first nine months of 1998 compared to a \$214 million use of cash in the comparable period in 1997, when NCR was beginning to implement its overall cash management strategy after being spun-off from AT&T.

Financing Activities: Net cash flows used in financing activities were \$142 million in the first nine months of 1998 compared to \$58 million provided by financing activities in the same period of 1997. In April 1998, NCR implemented a share repurchase program which resulted in the use of \$200 million of cash in 1998.

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

FACTORS THAT MAY AFFECT FUTURE RESULTS

Management's Discussion and Analysis and other sections of this Form 10-Q contain information based on management's beliefs and forward-looking statements that involve a number of risks, uncertainties, and assumptions. Any Annual Report to Stockholders, Form 10-K, Form 8-K, and other written or oral statements made by the Company or its representatives may also contain such forward-looking statements. These statements are not guarantees of future performance. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements as a result of various factors, including, without limitation, those listed below. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

Competition and New Solutions Introductions

NCR operates in the very 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 more difficult. NCR's future operating results depend upon its ability to rapidly design, develop, and market, or otherwise obtain and introduce new solutions and related products and services that are competitive in the marketplace. The Company must commit significant resources in advance of bringing its business solutions to market. There are numerous risks and uncertainties inherent in this complex process, including proper identification of customer needs,

technological changes, timely and cost-effective development and introduction, differentiation from NCR's competitors, timely recognition of and expansion into new and emerging markets, and market acceptance. In addition, new offerings may replace or compete with the Company's current offerings. Likewise, the timing of new product and services introductions by competitors could impact the future operating results of NCR, particularly when these introductions coincide or precede the introduction of NCR's own new solutions and related products and services. Competition in the information technology industry

has also increased pressure on gross margins and may cause NCR's future operating results to vary, subject to the Company's ability to manage margin pressure by maintaining a favorable mix of solutions, products and services revenues. NCR also faces significant competition to attract and retain highly skilled technical, sales and other personnel.

Reliance on Third Parties

Due to NCR's focus on providing complex integrated solutions to customers, the Company frequently relies on third parties to provide significant elements of NCR's offerings, which must be integrated with those elements provided by the Company. NCR has from time to time formed alliances with third parties, such as Solectron, that have complementary products, services, and skills. These business practices often require the Company to rely on the performance and capabilities of third parties which are beyond NCR's control. This introduces certain risks such as non-performance by third parties and difficulties with or delays in integrating elements provided by third parties into NCR's solutions. Further, the failure of third parties to provide products or services that conform to NCR's specifications or quality standards could impair the Company's ability to offer, on a timely basis, solutions that include such third party elements or the quality of such solutions.

A number of NCR's solutions rely on specific suppliers for microprocessors and operating systems. The Company also uses many standard parts and components. NCR believes there are a number of competent vendors for most parts and components. However, there are a number of important components, microprocessors, and operating systems that are developed by and purchased from single sources due to price, quality, technology, or other considerations. In some cases, these items are available only from single sources. For example, NCR's computer systems are based on microprocessors and related peripheral chip technology designed by Intel Corporation. Certain parts and components used in the manufacture of NCR's ATMs are also supplied by single sources. Further, NCR incorporates UNIX(R) and Microsoft Windows NT(R) operating systems into certain of its solutions. Accordingly, NCR's results of operations depend upon the Company's ability to continue to acquire a supply of key parts, components, microprocessors, and operating systems which continue to be technologically competitive.

Seasonality

NCR's sales are historically seasonal, with revenue higher in the fourth quarter of each year. Consequently, during the three quarters ending in March, June, and September, NCR has historically experienced less favorable results than in the quarter ending in December. Such seasonality also causes NCR's working capital cash flow requirements to vary from quarter to quarter depending on the variability in the volume, timing, and mix of product sales.

International Operations

In the first nine months of 1998, NCR's international operations represented approximately 52% of the Company's consolidated revenue. Specifically, Japan, the United Kingdom, Germany, and France represented approximately 9%, 6%, 5%, and 4% of consolidated revenue, respectively. Although the diversity of NCR's operations may help to mitigate some risks associated with geographic concentrations of operations (for example, adverse changes in foreign currency exchange rates and business disruptions due to natural disasters and economic or political uncertainties), there are numerous other risks inherent in operating abroad, many of which cannot be readily foreseen and over which NCR has no control. In addition, a significant change in the value of the dollar or other functional currencies against the currency of one or more countries where NCR recognizes revenues or earnings or maintains net asset investments may significantly impact future operating results.

Euro Changeover

On January 1, 1999, several European countries (Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain, hereafter referred to as the "participating countries") will establish fixed conversion rates between their existing currencies. As of that date, the "Euro" will trade on currency exchanges and the legacy currencies of the participating countries will remain legal tender for a transition period between January 1, 1999 and January 1, 2002.

The Euro changeover may affect the cross-border competition experienced by NCR by removing cross-border pricing and market barriers created by varying currencies among the participating countries. In addition, certain NCR offerings will need to accommodate the changeover to the Euro currency. Accordingly, NCR is assessing its price/market strategies and the Euro changeover-readiness of such products for the participating countries. Certain of NCR's information

technology systems will also need to accommodate the Euro changeover. Such systems may require modifications or alternate processing plans. The Company expects that testing of any system modifications will be completed by the end of 1998 or that alternate processing plans will be in place by such time as necessary. NCR is unable to fully determine the impact of the Euro changeover on its

results of operations, financial condition or cash flows, at this time. However, the Company will continue to assess the impact of Euro changeover issues as the applicable accounting, tax, legal, and regulatory guidance evolves.

Income Taxes

NCR's tax rate depends upon the geographical composition of taxable earnings and NCR's ability to realize the benefits from tax losses in certain tax jurisdictions. To the extent that NCR is unable to reflect tax benefits from net operating losses and tax credits, NCR's overall effective tax rate could increase.

Contingencies

In the normal course of business, NCR is subject to regulations, proceedings, lawsuits, claims, and other matters, including actions under laws and regulations related to the environment and health and safety, among others. Such matters are subject to the resolution of many uncertainties, and accordingly, outcomes are not predictable with assurance. Although NCR believes that amounts provided in its 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.

Year 2000

Year 2000 issues concern the inability of certain computerized information systems to properly process date-sensitive information as the year 2000 approaches. Systems that do not process such information may require modification or replacement prior to the year 2000. NCR accords a significant priority to Year 2000 issues, and in early 1996 established a task force to coordinate its global efforts to develop and implement its plans to address such issues.

NCR's Year 2000 plans include, without limitation: (1) replacing or upgrading affected information technology (IT) systems and non-IT systems (those which include embedded microprocessors such as security systems or factory production equipment), (2) developing Year 2000 Qualified products, (3) designating products that will not be rendered Year 2000 Qualified, (4) making Year 2000 upgrades available for certain products, and (5) identifying options for customers to migrate from non-Qualified products to Year 2000 Qualified products. "Year 2000 Qualification" means that a particular NCR product has been reviewed to confirm that it stores, processes (including sorting and performing mathematical operations), inputs, and outputs data containing date information correctly, regardless of whether the data contains dates before, on, or after January 1, 2000. NCR products that do not perform date manipulation, and that do not alter any date information that flows through them, are also considered Year 2000 Qualified. This definition is further amplified by 45 specific operating conditions and date processing requirements that must be satisfied for a product to be Qualified. Further information regarding the Year 2000 status of NCR's products can be found on its Internet site (www.ncr.com/year2000), which is updated on a periodic basis.

State of Readiness: In assessing the Year 2000 readiness of its products, IT systems and non-IT systems, the Company employs a process consisting of five phases: (1) inventory (identifying affected systems and products); (2) assessment (determining where failures may occur, and prioritizing solutions, workarounds and plans to repair or replace); (3) remediation (analyzing and renovating); (4) testing; and (5) deployment (including making Year 2000 Qualified products available to customers and, for the Company's internal systems, replacing or modifying designated IT and non-IT systems).

The Company has completed inventory, assessment, remediation, and testing of almost all of the products it presently develops and provides to customers. Nearly all such products are now available to customers. The Company expects the remaining products to be available to customers by the end of 1998. Installation of Year 2000 Qualified products at customer sites is largely dependent upon the customers' schedules, which may be delayed for various reasons such as a delay in final release of NCR's products, loss of personnel for installations, or failure by such customers to implement effective Year 2000 plans. NCR expects that installation at customer sites will take place throughout 1999. There are certain products, primarily developed prior to 1995, which NCR does not intend to render Year 2000 Qualified that may continue to be requested by customers. NCR will evaluate such requests and may, under certain circumstances, including customer acknowledgment of a product's Year 2000 status, provide these products to customers.

The Company previously offered highly specialized products specifically targeted for niche markets, often unique to a single country ("local products"). The Company has nearly completed its assessment of these local products, typically sold prior to 1995 under the Company's previous business model, and has determined that the majority of them are not Year 2000 Qualified.

This assessment should be completed in the first quarter of 1999. Where practical, NCR is communicating with purchasers of these products and is offering to assist them in identifying replacement NCR products, if available.

The Company has completed its inventory and assessment of the Year 2000 issues associated with its critical IT systems (e.g., manufacturing, financial management, incident management, payroll and statutory, and order processing systems). Remediation and testing of approximately 90% of such identified systems are complete, with the remainder expected to be completed by the second quarter of 1999. Deployment is now complete for approximately 50% of these critical IT systems, with approximately 70% expected to be completed through the fourth quarter of 1998, and the remainder to be completed over the first three quarters of 1999. The Company has also completed its analysis of non-critical internal information systems and has developed plans to address the Year 2000 issues associated with them, as appropriate. In addition, the Company has completed its inventory and has initiated its assessment of the Year 2000 issues associated with its non-IT systems, including telecommunication equipment, security systems, and embedded microprocessors at its significant manufacturing, distribution, and office facilities around the world. Assessments of critical non-IT systems are planned to be completed by the end of 1998, with any necessary remediation and testing completed in the first half of 1999. For its most critical facility functions, such as manufacturing and parts distribution, NCR is planning integrated site tests for execution in the first quarter of 1999.

NCR has requested information from substantially all of its suppliers concerning the status of their Year 2000 readiness to assess their ability to continue to deliver products and services to NCR. NCR's assessment is dependent upon its ability to obtain accurate and complete information from its suppliers. NCR is conducting reviews of its critical suppliers in accordance with its Year 2000 Qualification guidelines, and plans to substantially complete such activity by the end of 1998. In addition, NCR plans to test system interfaces with its critical suppliers as the Year 2000 approaches. However, there can be no assurances that NCR's critical suppliers will be able to effectively achieve Year 2000 readiness. Because of Solectron's particular significance to the Company's manufacturing operations, NCR will conduct multiple on-site reviews of Solectron's facilities to ascertain the status of their Year 2000 readiness. Any major Year 2000 failures by Solectron or other critical suppliers could materially and adversely impact the Company.

NCR believes that no single customer represents so significant a portion of the Company's revenues that failure on the part of such a customer to plan effectively for Year 2000 would materially impact NCR's consolidated results of operations, financial condition or cash flows. In addition, NCR believes that the diversity of its customer base minimizes the potential financial impact of such an event. However, if broad technology customer buying trends are reduced due to Year 2000 issues, NCR's revenues could be adversely affected.

Costs to Address Year 2000 Issues: Due to a number of factors, it is difficult to calculate the total cost of addressing the Company's Year 2000 issues with any precision. These factors include, without limitation, the large number of NCR employees and contractors devoting a portion of their efforts to Year 2000 issues, and the inability to separately identify Year 2000 costs due to the concurrent remediation of Year 2000 and non-Year 2000 issues associated with NCR's products, IT systems, and non-IT systems. The Company estimates the total cost to address its Year 2000 issues, including costs already incurred, to be approximately \$205 million, almost half of which has already been or is expected to be incurred by year end 1998. Approximately \$60 million of such costs have been incurred in fiscal 1998. NCR intends to capitalize or expense these costs as required by generally accepted accounting principles. In addition, the Company expects to fund these costs through operating cash flows. Because they will be funded through a reallocation of NCR's overall research and development, information technology and administrative spending, Year 2000 costs are not expected to result in significant increases in such expenditures. Although NCR believes its cost estimates are reasonable, there can be no assurance, for the reasons stated below, that the costs of implementing the Company's Year 2000 plans will not differ materially from its estimates.

Risks of Year 2000 Issues: Year 2000 problems can be difficult to identify or predict for a number of reasons. These reasons include, among others, the complexity of testing inter-connected products, operating environments, networks and applications, including those developed by third parties, and the difficulty of simulating and testing for all possible variables and outcomes associated with critical dates in 1999 and 2000. As a result of such difficulties and the risks described below, there can be no assurances that Year 2000 issues will not materially adversely impact NCR's consolidated results of operations, financial condition, or cash flows.

Despite the Company's substantive Year 2000 plans and efforts, the Company could face significant risks associated with its business-critical operations, including, without limitation, the possible malfunction of NCR's IT and non-IT systems and the

potential impacts of Year 2000 difficulties experienced by third parties (e.g., suppliers, customers, utilities, and financial institutions). In particular, risks associated with non-U.S. third parties may be greater than those located domestically, as it is widely reported that many non-U.S. businesses and governments are not addressing their Year 2000 issues on a timely basis.

In addition, despite the Company's Qualification and testing processes, NCR could face significant Year 2000 risks as a vendor of technology products and services. Such risks include, but are not limited to, the following uncertainties: NCR's products may contain undetected errors or defects associated with Year 2000 issues, NCR may be unable to notify affected customers of local or other products that are not Year 2000 Qualified, and installation schedules of Year 2000 Qualified products may be delayed. In addition, NCR has provided a range of services, including software code development, as contracted and specified by its customers. Typically, such services and products have been accepted by the customers and warranties for them have expired; however, there is some risk that customers will claim that NCR bears responsibility for Year 2000 issues involving their systems. The Company also has provided Year 2000 code remediation services to a small number of its customers. Some commentators have noted that the complexity of identifying and testing Year 2000 issues in connection with such services raises prospects of liability. NCR's contractual arrangements typically contain limited warranties and limitations on liability, but there can be no assurance that these limitations will be upheld in all instances. Any of these or other unforeseen Year 2000 risks, could increase service, warranty, and litigation costs. While no litigation has been initiated against NCR in connection with Year 2000 issues, suits have been brought against other IT vendors, and such claims may be advanced against NCR in the future.

As previously discussed, NCR has made certain estimates and judgments in evaluating the anticipated costs and risks of Year 2000 issues. These anticipated costs and risks are based on management's best estimates using information currently available and numerous assumptions of future events. There can be no assurances that these estimates will not change or that there will not be delays in implementing the Company's Year 2000 plans. In addition, the continued availability of personnel to address Year 2000 issues cannot be assured, which could result in increased costs or delays in implementing NCR's Year 2000 plans.

Contingency Plans: NCR believes it has developed effective Year 2000 plans for the critical areas of its business. However, the Company recognizes that it is not possible to identify and test all potential variables and outcomes relative to Year 2000 issues. Accordingly, the Company is developing business continuity and contingency plans for each of its critical processes and facilities. NCR business continuity plans will include the potential for Year 2000 failures of third parties. Such plans will be completed on a phased schedule, with the last of the plans targeted for completion by the end of the second quarter of 1999.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NCR is exposed to market risk, including changes in foreign currency exchange rates and interest rates. NCR uses a variety of measures to monitor and manage these risks, including derivative financial instruments. Qualitative disclosures about these risks and derivative instruments are discussed more fully in NCR's Annual Report to Stockholders for the year ended December 31, 1997.

The table below summarizes information about instruments sensitive to currency exchange rates, primarily foreign currency forward contracts, options, and swaps at September 30, 1998. This table should be read in conjunction with the information presented in NCR's Annual Report to Stockholders for the year ended December 31, 1997.

U.S. Dollar Value of Net Foreign
Exchange Contracts
(in millions, except average contract rates)

	Net Underlying Currency Exposure Associated with Firmly Committed Transactions	Notional Value	Average Contract Rate (Foreign Currency per US Dollar)	Gain/(Loss)
	-----	-----	-----	-----
Forward Contracts:				
British Pound	\$138	\$384	0.62	\$ (1)
Japanese Yen	195	195	133.92	(3)
Canadian Dollar	15	65	1.48	(2)
German Mark	58	62	1.76	(3)
Spanish Peseta	48	48	149.36	(2)
Cross-dollar, non-U.S.	97	121	N/A	3
Other	104	104	N/A	(4)
Options:				
British Pound	-	156	.62	1
Japanese Yen	-	32	136.49	(2)
Canadian Dollar	-	38	1.48	(1)
Other	8	29	N/A	-
Swaps:				
Cross-dollar, non-U.S.	180	180	N/A	(31)

In the second quarter of 1998, NCR revised its foreign currency hedging program to increase the use of option contracts to hedge forecasted transactions. Accordingly, the table above reflects the resulting increase in option contracts held compared with the information contained in NCR's 1997 Annual Report to Stockholders. There have been no significant changes in the carrying value, fair value, maturity schedule, or other information related to NCR's outstanding borrowings at September 30, 1998, compared with that reported in its Annual Report to Stockholders for the year ended December 31, 1997.

Part II. Other Information

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 10.1 Letter Agreement dated July 1, 1998
- 10.2 Letter Agreement dated August 5, 1998
- 27 Financial Data Schedule

(b) Reports on Form 8-K

- (1) On August 21, 1998, NCR filed a Current Report on Form 8-K with respect to its news release on the announcement that David Bearman was appointed Senior Vice President and Chief Financial Officer effective September 1, 1998, to succeed John L. Giering who was retiring.
- (2) On October 15, 1998, NCR filed a Current Report on Form 8-K, including unaudited consolidated balance sheets as of September 30, 1998, and unaudited consolidated statements of operations, consolidated revenue summary, and condensed consolidated statements of cash flows for the quarter ended September 30, 1998, with respect to its news release on the third quarter financial results of 1998.

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.
TOP END is a registered trademark of BEA Systems, Inc.

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: November 10, 1998

By: /s/ David Bearman

David Bearman, Senior Vice-President
and Chief Financial Officer

EXHIBIT INDEX

Exhibit No. -----	Description -----
10.1	Letter Agreement dated July 1, 1998.
10.2	Letter Agreement dated August 5, 1998.
27	Financial Data Schedule

[LETTERHEAD OF NCR]

July 1, 1998

John L. Giering
6477 Kings Grant Passage
Dayton, OH 45459

Dear John:

We appreciate your years of service to the company. Since you first joined NCR in 1980, you have made significant contributions to our success, playing key roles as NCR's Chief Financial Officer both when the company was acquired by AT&T and when it was spin-off at the end of 1996. Your leadership during these critical times for the company has not gone unrecognized, and all of your colleagues wish you the best in your retirement from the company. As you now prepare to retire, I am writing to describe your retirement benefits and the respective rights and obligations of you and the company.

In order to facilitate an effective transition, you have agreed to serve as Senior Vice President and Chief Financial Officer of NCR until the effective date your successor begins employment with NCR at which time you will retire. If your successor does not commence employment by December 31, 1998, you will retire on that date. Through your retirement date, NCR will pay to you your annual base salary in the usual manner. Effective on your retirement date, you will begin receiving retirement benefits under the terms of the Senior Executive Retirement, Death and Disability Plan (the "SERP"). Your retirement benefits under the SERP will be calculated under the Change-in-Control provisions for Executive Participants (as defined in the SERP). A current estimate of your SERP benefits is attached, although the amount of your actual SERP payments will be determined in accordance with the SERP plan document.

Your participation in the 1998 NCR Management Incentive Plan for Executive Officers (the "MIP") will terminate effective on your retirement date. NCR will pay to you an amount equal to the award you would be entitled to under the MIP, pro-rated for that period of 1998 prior to your retirement date, based on the company's achievement of specific performance objectives as approved by the Board in February of this year. This amount will be paid in a lump sum payment at the same time as awards are paid to executive officers under the 1998 MIP. You will be entitled to no other awards under the 1998 MIP or any other annual incentive plans.

Upon retirement, you will be eligible to receive any retiree health and life benefits that are then available to employees of the company, assuming you meet the eligibility requirements for such benefits. Your eligibility for other benefits, including retirement benefits under the NCR qualified pension plan, will be determined in accordance with the NCR plans that govern those benefits. Similarly, your stock option and other stock agreements will govern the treatment of your stock options and LTIP restricted stock unit grants upon your retirement. For purposes of these agreements, you will be considered retired upon your retirement date.

You will continue to participate in the financial counseling program through the end of 1998.

You agree to return to NCR, on or before your retirement date, all NCR property or copies thereof, including, but not limited to, mobile or portable phones, files, records, computer access codes, computer programs, keys, card key passes, instruction manuals, documents, business plans, and other property which you received, prepared or helped to prepare in connection with your employment with NCR, and to assign to NCR all right, title and interest in such property, and any other inventions, discoveries or works of authorship created by you during the course of your employment. Sometime prior to your retirement date, please contact Bill Baugh at (937) 445-2244 to arrange to have any security system monitoring that has been provided by NCR transferred to a company of your choice. NCR can make recommendations for a suitable company. NCR will not monitor your system once you have retired.

You acknowledge your obligation to keep all Proprietary NCR Information confidential and not to disclose it to any third party in the future, subject to any obligation to comply with legal process. As used in this letter agreement, the term "Proprietary NCR Information" includes, but is not necessarily limited to, confidential, technical, marketing, business, financial or other confidential information not publicly available.

You agree that a violation of the foregoing provisions relating to the return of NCR property or the use or disclosure of Proprietary NCR Information, unless you have the right to use such property or Proprietary NCR Information pursuant to a separate agreement with NCR, will be considered a material breach of this letter agreement, for which you will forfeit any moneys not already paid under this letter agreement. NCR agrees that a violation of its payment obligations under this letter agreement will be a material breach of this letter agreement. The provisions of this paragraph in no way limit NCR's right to also commence a court action for an injunction or equitable remedies in the event you breach any provision of this letter agreement. In the event NCR takes such action, all of your other obligations under this letter agreement shall remain in full force and effect.

Commencing on your retirement date (or if earlier, the date of your death or permanent disability), for a period of one year, NCR will pay to you an amount equal to your annual base salary, payable in the same installments as your base salary was paid immediately

prior to your retirement. These payments will cease if you subsequently become employed by a competitor named below, but they will continue if you become employed by an entity other than such a competitor. The payments described in this paragraph will continue to be made in the event that you retire and subsequently become permanently disabled or die. In the event of your death, the payments will be made to your estate. All rights upon disability or death to other payments and benefits not described in this paragraph, including the exercisability of your stock options, will be determined according to the terms of the NCR plans and programs in which you are participating.

In addition, during the time period during which you receive the payments described in the proceeding paragraph, NCR will provide to you and your eligible dependents, at no cost, NCR Health Care Choice 2, NCR Dental Choice 2, Associate Life Insurance coverage at \$50,000, and Accidental Death & Dismemberment coverage at two times your current base salary. While receiving these benefits, you will not receive any retiree health or life benefits. The time period during which you receive these payments will count for eligibility requirements for retiree health and life insurance benefits. However, you will not receive credit for pay and service associated with the this time period for purposes of calculating pension benefits under any NCR retirement plans.

In consideration of NCR's payment of the benefits described in the proceeding paragraphs, you agree that from the date of this letter agreement through December 31, 2000, without the prior written consent of the Chief Executive Officer of NCR, you will not: (a) hire, attempt to hire or assist any other person or entity in hiring or attempting to hire an exempt employee of NCR or any person who was an NCR exempt employee within the prior six-month period, or (b) solicit, in competition with NCR, the business of any NCR customer known to you to be an NCR customer or any entity whose business you knew NCR was actively soliciting during the six-month period immediately preceding your retirement date, or (c) accept employment, either as an employee or independent contractor, with, or serve as a director of, any of NCR's direct, major competitors, or their subsidiaries or affiliates, namely: IBM, Anderson Consulting, Sequent, CSC, Unisys, Digital Equipment, Hewlett-Packard (HP), Sun Microsystems, Oracle, Informix, Compaq, Data General, EDS, Diebold, and Perot Systems. If you breach the terms of this paragraph, in addition to recovering damages for breach, NCR will make no further payments under this letter agreement and, inasmuch as breach would cause irreparable harm to NCR, NCR may obtain an injunction and/or restraining order prohibiting further violations, provided NCR has given you written notice of the claimed breach.

You acknowledge that there are various state, local and federal laws that prohibit employment discrimination on a number of bases including, but not limited to, age, sex, race, color, national origin, religion, disability, sexual orientation or veteran status and that these laws are enforced through the Equal Employment Opportunity Commission, Department of Labor and State or Local Human Rights agencies. Such laws include, without limitation, Title VII of the Civil Rights Act of 1964 as amended, 42 U.S.C. Sec. 2000 et. seq.; the Age Discrimination in Employment Act, 29 U.S.C. Sec. 621 et. seq.; the Americans with Disabilities Act, 42 U.S.C. Sec. 12101; the Employee Retirement Income Security Act, as amended 29 U.S.C. Sec. 1001 et. seq.; and 42 U.S.C. Sec. 1981, and other state and local human or civil rights laws as well as other statutes which regulate employment; and the common law of contracts and torts. In consideration of this letter agreement, you hereby waive and release any rights you may have as of the date of your execution of this letter agreement under these or any other laws with respect to your employment and termination of employment with NCR and acknowledge that based on your knowledge as of the date of your execution of this letter agreement, NCR has not (a) discriminated against you, (b) breached any contract with you, (c) committed any civil wrong (tort) against you, or (d) otherwise acted unlawfully towards you. You also waive any right to become, and promise not to consent to become, a member of any class in a case in which claims are asserted against any Releasee (defined below) that is related in any way to your employment or the termination of your employment with NCR, and that involve events which have occurred as of the date of your execution of this letter agreement or your retirement date. If you, without your knowledge or consent are made a member of a class in any proceeding, you will opt out of the class at the first opportunity afforded to you after learning of your inclusion. In this regard you agree that you will execute, without objection or delay, an "opt-out" form presented to you either by the court in which such proceeding is pending or by counsel for a Releasee who is made a defendant in any such proceeding. This paragraph does not apply to any claims that you may have against AT&T Corp.

You, on behalf of yourself, your heirs, executors, administrators, agents, attorneys, representatives, and assigns, release and discharge NCR and its successors, assigns, subsidiaries, parent companies, and affiliates (excluding, however, AT&T Corp.) and their trustees, fiduciaries, administrators, directors, officers, agents, employees, attorneys ("Releasees"), from any and all claims, actions, and causes of action with respect to, or arising out of, your employment or termination of employment with NCR, as well as from all claims for personal injury, actual or potential, occurring up to, and including, the date of your retirement. This general release covers, but is not limited to, all claims for discrimination, age discrimination under the Age Discrimination In Employment Act, or any similar state or local statute or ordinance, wrongful discharge, breach of implied or express promises, intentional or negligent infliction of emotional distress, claims under statutes, common law, or otherwise, in any jurisdiction. You represent that you have not transferred or assigned, or caused to be transferred or assigned, any rights or causes of action against NCR or any other Releasee and that you have not filed any charge or lawsuit against NCR or any other Releasee with any governmental agency or court and that you will not institute any actions against NCR or any other Releasee for any reason.

With respect to any administrative charges that have been or may be filed concerning events or actions relating to your employment or the termination of your employment that occurred on or before the date of your execution of this letter agreement, you waive and release any right you may have as of the date of your execution of this letter agreement to recover in any lawsuit or proceeding brought by you or by an administrative agency on your behalf. If you breach this paragraph you understand that you will be liable for all expenses, including your costs and reasonable attorney's fees. This paragraph is not intended to limit you from instituting legal action for the sole purpose of enforcing this letter agreement.

NCR will indemnify you for your service in your capacity as an officer of the company to the full extent required by the laws of the State of Maryland, as provided in NCR's bylaws. NCR releases you from any and all claims, actions, and causes of action with respect to, or arising out of, your employment or termination of employment with NCR, occurring up to, and including, the date of your retirement, unless it is established that you failed to meet the standard of conduct required for indemnification as set forth in NCR's bylaws. A copy of the current provision of the bylaws concerning indemnification is attached for your information.

You will have sole responsibility for payment of all employee taxes, U.S. or of any other jurisdiction, or contributions imposed or required under unemployment insurance, social security and income tax laws, and for filing all required tax forms with respect to any amounts paid by NCR to you. NCR may withhold taxes from any payment made to you to the extent required by law. Evidence of deduction will be provided to you through issuance of receipts or other tax reporting forms (such as forms W-2) in accordance with the reporting requirements and reporting timetable of these laws. You agree to indemnify and hold NCR harmless against any claim or liability (including penalties) resulting from your failure to pay such taxes or contributions, or your failure to file any such tax forms, and you agree to waive any claim against NCR for failure to withhold any taxes or over-withholding of taxes. Notwithstanding anything in this letter agreement to the contrary, you will continue to be entitled to any rights to tax gross-up payments that you may have pursuant to (i) the company's policies and practices on financial consulting services, and/or (ii) Section 13 of the Employment Agreement among you, NCR Corporation, and AT&T Corp. dated September 23, 1991, and/or (iii) the NCR Change-in-Control Severance Plan for Executive Officers.

Subject to NCR's rights to seek injunctive relief or equitable remedies in a court action, any controversy or claim related in any way to this letter agreement, or to your employment relationship with NCR (including, but not limited to, any claim of fraud or misrepresentation), shall be resolved by arbitration pursuant to this paragraph and the then current rules and supervision of the American Arbitration Association. The arbitration shall be held in Dayton, Ohio. The arbitrator's decision and award shall be final and binding and may be entered in any court having jurisdiction thereof. The arbitrator shall not have the power to award punitive or exemplary damages. Issues of arbitrability shall be determined in accordance with the federal substantive and procedural laws relating to arbitration; all other aspects shall be interpreted in accordance with the laws of the State of Ohio. Each party shall bear its own attorney's fees associated with the arbitration and other costs and expenses of the arbitration shall be borne as provided by the rules of the American Arbitration Association. If court proceedings to stay litigation or compel arbitration are necessary, the party who unsuccessfully opposes such proceedings shall pay all associated costs which are reasonably incurred by the other party. If any portion of this paragraph is held to be unenforceable, it shall be severed and shall not affect either the duty to arbitrate or any other part of this paragraph. The provisions of this paragraph in no way limit NCR's right to also commence a court action for an injunction or equitable remedies in the event you breach any provision of this letter agreement. In the event NCR takes such action, all of your other obligations under this letter agreement shall remain in full force and effect.

This letter agreement shall be governed by the laws of the State of Ohio. If any part of this letter agreement is held to be unenforceable, the parties intend for the remaining portion of this letter agreement to be given full force and effect. In particular, the parties intend for the non-solicitation/non-competition provision to be given the maximum effect permissible under the law, in order to protect NCR's trade secrets and confidential and proprietary information.

This letter agreement is the entire agreement between you and NCR with respect to the termination of your employment and supersedes all prior written or oral understandings, statements or agreements relating in any way to the terms and conditions of your employment relationship, or the end of that relationship with NCR, provided, however, that the terms of any NCR benefit plans or benefit arrangements in which you are a participant shall govern the payment of benefits from the respective plans to the extent said plans are not in conflict with the terms of this letter agreement. Any waiver or modification of the terms of this letter agreement must be in writing and signed by you and NCR. No waiver by either you or NCR at any time of any breach by the other party, compliance with, any conditions or provisions of this letter agreement to be performed by the other party, shall be considered a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time.

If you are in agreement with this letter agreement, please sign below.

Sincerely,

/s/ Lars Nyberg

Lars Nyberg, Chairman and Chief Executive Officer

Accepted:

By: /s/ John L. Giering

Name: John L. Giering

Dated: July 9, 1998

cc: J. Hoak

[LETTERHEAD OF NCR]

August 5, 1998

PERSONAL AND CONFIDENTIAL

Mr. David Bearman
5350 Reserve Drive
Dublin, Ohio
43017

Dear David:

I am pleased to extend to you an offer of employment with NCR Corporation. The following information confirms the details of our offer:

Job Title: Senior Vice President and Chief Financial Officer
Job Band: Band I
Reports to: Lars Nyberg, Chairman and CEO
Work Location: Dayton, Ohio
Effective Date: as mutually agreed

Annual Base Salary - Your base salary will be \$400,000, 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 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 (MIP) which provides year-end incentive awards based on the success of NCR in meeting annual performance objectives. For 1998, you will be eligible to receive a pro-rated MIP award based on the objectives already established for your position, which are a profit measure (50%), revenue growth (30%) and individual leadership measures (20%). For your position, the targeted incentive opportunity for 1998 is 50% of your salary and the maximum award is 100% of your salary. The incentive is payable in March of the following year.

Equity Awards-
- - - - -

Stock Options - You will be eligible to participate in the NCR Management Stock Option Program. You will receive an initial stock option grant, as of your effective start date, for that number of whole shares of NCR common stock determined by dividing \$3,275,000 by the fair market value of one share of the Company's common stock on your first date of employment. These options will be subject to terms and conditions determined by the NCR Board of Directors. Future grants are discretionary and set annually by the Board of Directors. These stock options include a non-competition provision and vest as follows:

Initial Vesting Date - 1-year anniversary of start date - 1/3 of the grant
Next Vesting Date - 2-year anniversary of start date - 1/3 of the grant
Final Vesting Date - 3-year anniversary of start date - 1/3 of the grant

Restricted Stock - You will receive a special restricted stock grant, as of your effective start date, of that number of whole shares of NCR common stock determined by dividing \$2,000,000 by the fair market value of one share of the Company's common stock on your first date of employment. These shares will be set up in a record account in your name with NCR's Transfer Agent and Stock Registrar (Boston Equiserv), and will vest (become transferable) over four years as follows:

Initial Vesting Date - 1-year anniversary of start date - 1/4 of awarded shares
Next Vesting Date - 2-year anniversary of start date - 1/4 of awarded shares
Next Vesting Date - 3-year anniversary of start date - 1/4 of awarded shares
Final Vesting Date - 4-year anniversary of start date - 1/4 of awarded shares

In addition, the restricted stock will vest in full in the event of a Company initiated termination other than for "cause" (defined in the same manner as in the NCR Change-in-Control Severance Plan for Executive Officers, which definition is attached to this letter). 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-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. 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 \$1.5 million. As I know you appreciate, any actual award will be as finally determined by NCR's Compensation Committee of the Board of Directors.

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

NCR Benefits - On your first day of employment with NCR, the company provides you and your eligible dependents with the following core benefit coverage at no cost:

- NCR Health Care Coverage (80/20 Plan)
- 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 attached Benefits Overview provides more information about NCR benefits.

Retirement - In addition to your participation in the NCR Pension Plan (qualified plan), as a Band I employee, you will also participate in the following nonqualified pension plans:

The Retirement Plan for Officers of NCR Corporation (SERP II)- The plan, which is described in more detail in the attached summary, 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.

The NCR Mid-Career Hire Supplemental Pension Plan- This plan, described in more detail in the attached summary, 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.

Change in Control - You will participate in NCR's current Change in Control Severance Plan for Executive Officers. A copy of the plan is included as an attachment to this letter.

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.

David, we are enthusiastic about your contributions, experience and vision you bring to NCR's Leadership Team. NCR is positioned well in our market to be exceedingly successful and I personally would like to extend this opportunity to be a part of my Leadership Team.

If you have any questions concerning the details of the appointment, please feel free to contact me or Jon Hoak.

Sincerely,

/s/ Lars Nyberg

Lars Nyberg, Chairman & CEO
NCR Corporation

/s/ David Bearman

August 5, 1998

Agreed and Accepted
David Bearman

Date

pc: Jon Hoak
W. Buiter

Attachments: Benefits Overview
Summary of SERP II
Summary of Mid-Career Hire Plan
NCR Relocation Policy
Definition of "Cause"
Change in Control Plan for Executive Officers

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FOR NCR CORPORATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AT SEPTEMBER 30, 1998 AND THE CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS	DEC-31-1998	JUL-01-1998	SEP-30-1998
			443
		93	
		1,485	
		(49)	
		458	
	2,647		2,215
	1,351		
	4,825		
1,852			33
	0		
		0	
		1	
		1,266	
4,825			851
	1,555		561
	1,094		
	428		
	0		
	2		
	42		
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