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

FORM 10-K

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

For the fiscal year ended December 31, 2002

Commission File Number 001-00395

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

Maryland	31-0387920
(State or other jurisdiction of incorporation or organization)	(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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	New York Stock Exchange

Securities to be registered pursuant to Section 12(g) of the Act: None

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 [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Act). YES [X] NO [ ]

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 28, 2002 was approximately $3.4 billion. At February 28, 2003, there were 96,823,766 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Parts I and II: Portions of the registrant's Annual Report to Stockholders for the year ended December 31, 2002.

Part III: Portions of the registrant's Proxy Statement, dated March 13, 2003, issued in connection with the 2003 annual meeting of stockholders.

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This Report contains trademarks, service marks, and registered marks of the Company and its subsidiaries, and other companies, as indicated.

PART I

Item 1. BUSINESS

General

NCR Corporation and its subsidiaries (NCR or the Company also referred to as "we", "us" or "our") provide technology and services that help businesses interact, connect and relate with their customers.

Data Warehousing solutions transform information into knowledge, permitting businesses to respond with programs designed to improve customer acquisition, retention and profitability. Through the Company's presence at customer interaction points, such as automated-teller machines (ATMs), retail point-of-sale (POS) workstations, self-checkout systems, electronic shelf labels (ESLs), and web-enabled kiosks, Financial Self Service and Retail Store Automation solutions enable companies to capture and process transaction-based information. Services are an essential component of each of NCR's complete offerings, and the Customer Services division is a global leader in information technology (IT) and services delivery.

NCR provides specific solutions for the retail and financial industries, and through the Data Warehousing and Customer Services businesses, the Company provides solutions for industries including telecommunications, transportation, insurance, utilities and electronic commerce, as well as consumer goods manufacturers and government entities. NCR's solutions are built on a foundation of long-established industry knowledge and consulting expertise, hardware technology, value-adding software, global customer support services, and a complete line of business consumables and specialty media products.

NCR was originally incorporated in 1884 and was a publicly traded company on the New York Stock Exchange prior to its merger with a wholly-owned subsidiary of AT&T Corp. (AT&T) on September 19, 1991. Effective December 31, 1996, AT&T distributed to its stockholders all of its interest in NCR (the Distribution) on the basis of one share of NCR common stock for each 16 shares of AT&T common stock. The Distribution resulted in approximately 101.4 million shares of NCR common stock outstanding as of December 31, 1996. NCR common stock is listed on the New York Stock Exchange and trades under the symbol "NCR".

Revenue by similar classes of products and services is reported in NCR's 2002 Annual Report to Stockholders as part of Note 12 of Notes to Consolidated Financial Statements, "Segment Information and Concentrations," and is incorporated herein by reference.

Geographic information is reported in NCR's 2002 Annual Report to Stockholders as part of Note 12 of Notes to Consolidated Financial Statements, "Segment Information and Concentrations," and is incorporated herein by reference.

NCR operates in one industry, the information technology industry, and categorizes its operations into seven reportable segments: Data Warehousing solutions, Financial Self Service solutions, Retail Store Automation solutions, Customer Services, Systemedia, Payment and Imaging solutions, and Other, each of which is described below. Each solution generally combines hardware, software, professional and installation-related services and customer support services.

Data Warehousing Solutions

Products and Services

NCR provides data warehousing solutions, combining Teradata(R) hardware, software (e.g., Teradata database and data mining software), professional consulting services, and customer support services, together with third-party products and services from leading technology partners. NCR's Data Warehousing solutions help businesses gain a competitive advantage by more quickly and efficiently analyzing detailed data around customers, suppliers, partners and company operations, to deliver accurate business intelligence to decision-makers when and where they need it.

The Teradata products and services are focused on providing customers with optimum price/performance at minimum total cost of ownership. Teradata data warehousing technologies provide a high level of linear performance scalability, availability and manageability for both repetitive and ad hoc queries in a decision support environment. Our professional service consultants combine a proven methodology with years of hands-on experience to ensure successful delivery of customers' data warehousing environments. Our customer services organization provides on-going maintenance and support, helping customers achieve and sustain the availability levels they require.

Target Markets and Distribution Channels

NCR's Data Warehousing serves many major industry markets, including the retail, financial, telecommunications, transportation, insurance, utilities and electronic commerce industries, as well as consumer goods manufacturers and government entities.

Data Warehousing solutions are delivered through a combination of direct and indirect channels. In recent years, over 90% of NCR's revenue from the Data Warehousing segment have been generated by the Company's direct sales force. The remaining revenues have historically been generated from the indirect channel and through alliances with value-added resellers, distributors and original equipment manufacturers.

Competition

NCR faces competition in the industries served by Data Warehousing in all geographic areas where it operates. NCR believes that key competitive factors in these markets are vendor experience, the breadth and depth of the customer base, customer referrals, quality of the solutions or products, database sophistication, platform scalability, support and professional service capabilities, industry knowledge of the vendor, and total cost of ownership. The movement toward common industry standards (such as Intel processors and UNIX(R) and Microsoft operating systems) has accelerated product development, but has also made differentiation more difficult. Hardware and operating system commoditization have extended beyond personal computers into the server business. In the markets in which Data Warehousing competes, customers require applications, database software, system software, hardware, professional services, systems integration skills and ongoing solution support. Many competitors offer one or two of these components, but NCR believes it is one of few companies that can provide complete, open solutions that include all of these customer requirements. NCR's primary competitors include companies such as International Business Machines (IBM) and Oracle Corporation.

Financial Self Service Solutions

Products, Services and Solutions

Financial Self Service provides ATMs and related software, including the APTRA(TM) operating system software, to banks, credit unions and retailers. Financial Self Service solutions are designed to quickly and reliably process high volumes of consumer transactions and incorporate advanced features such as web enablement, automated check cashing/deposit, automated cash deposit, bill payment and the dispensing of non-cash items. Financial Self Service solutions enable businesses to reduce costs and generate new revenue streams, as well as enhance customer loyalty.

Target Markets and Distribution Channels

NCR's Self Service solutions primarily serve the financial services industry with particular focus on retail banking which includes traditional providers of consumer banking and financial services. Self Service solutions also serve the retail markets through convenience banking products designed to complement their core businesses. Self Service solutions' customers are located throughout the world in both established and emerging markets.

NCR has historically distributed most of its Self Service products and services through NCR's direct sales channel, although certain revenues are derived through sales by distributors. Approximately 75% of the traditional Self Service product and service sales were sold by the direct sales force; the remainder was sold through indirect channels.

Competition

NCR faces competition in the financial services industry in all geographic areas where it operates. The primary areas of competition can vary, but typically include: quality of the solutions or products, total cost of ownership, industry knowledge of the vendor, the vendor's ability to provide and support a total end-to-end solution, the vendor's ability to integrate new and existing systems, the fit of the vendor's strategic vision with the customer's strategic direction, and the quality of the vendor's support and consulting services. NCR's primary competitors are Diebold, Inc. and Wincor Nixdorf Gmbh & Co. (Wincor Nixdorf), but other competitors exist and vary by product and service offering, as well as geographic area.

Retail Store Automation Solutions

Products and Services

Retail Store Automation provides retail-oriented technologies such as POS terminals, bar-code scanners and software as well as innovative self-checkout systems and electronic shelf labels to retailers. Combining retail industry expertise, software and hardware technologies, and implementation and consulting services, Retail Store Automation solutions are designed to improve selling productivity and checkout processes, and increase customer satisfaction for NCR's retail customers.

Target Markets and Distribution Channels

Primarily serving the retail industry, NCR delivers Store Automation solutions for the general merchandise, food and drug, and hospitality segments. The general merchandise segment includes department stores, specialty retailers, mass merchandisers and catalog stores. The food and drug segment includes supermarkets, hypermarkets, grocery, drug, wholesalers and convenience stores. The hospitality segment includes lodging (hotel/motel), fast food/quick service and other restaurants.

NCR's Store Automation solutions are offered through a combination of direct and indirect channels. The majority (about 90% in recent years) of solutions are sold by NCR's direct sales force, with the remainder sold through alliances with value-added resellers, distributors and dealers. NCR provides supporting services, including collateral sales materials, sales leads, porting facilities and marketing programs to the sales channel.

Competition

NCR faces strong competition in the retail industry in all geographic areas where it operates. The Company believes that key competitive factors can vary by geographic area but typically include quality of the solutions or products, total cost of ownership, industry knowledge of the vendor, and knowledge, experience and quality of the vendor's consulting, deployment and support services. NCR's competitors vary by market segment, product, service offering and geographic area, and include IBM, Dell Computer Corporation, Wincor Nixdorf, and Optimal Robotics Corp., among others.

Customer Services

Products and Services

Customer Services are an essential component of NCR's complete solution offerings. NCR's Customer Services division is a global leader in IT services delivery. In addition to providing maintenance and support for the base of NCR solution customers, the Customer Services segment provides services from consulting to site design, to staging and implementation and maintenance for third parties, to complete systems management.

As a result of supporting NCR's solutions around the world, Customer Services has established an unmatched service delivery capability, and has leveraged this global presence and experience to develop and deliver a comprehensive portfolio of IT infrastructure services to businesses in other industries. These high availability services focus on the vital systems, networks, software and security that comprise the IT infrastructure of today's businesses, and include operations management, consulting, deployment and maintenance. Customer Services provides these services directly to global businesses as well as through partnerships with leading technology, network and systems suppliers including Cisco Systems, Dell Computer Corporation, Sun Microsystems and others.

Target Markets and Distribution Channels

The target market for Customer Services are users of NCR's world-class solutions. Customer Services provides service on NCR solutions, as well as multi-vendor technologies used in these segments - for example, IBM retail technologies and Diebold self-service products. Customer Services also provides services to customers who value and leverage NCR's global multi-vendor service capability - primarily technology manufacturers and large multi-national companies.

The primary sales channel for Customer Services is NCR's solution sales teams, which exist in all NCR divisions. Customer Services provides these services directly to end customers as well as through partnerships with leading technology suppliers including Cisco Systems, Sun Microsystems, and others.

Competition

NCR faces competition for services from other technology providers, as well as from service-only firms, in all geographies where it operates. The primary competitive factors are the same that impact NCR's other business segments. In addition, delays and declines in technology spending are causing intense competition for services and support contracts. Also, global technology providers are becoming more focused on services as a core business strategy. NCR believes it is well positioned to compete based on its domain knowledge and leadership positions in the target markets, technical expertise with NCR and multi-vendor technologies, demonstrated operational performance, and global reach and experience - all factors that play to the strengths of NCR. Continued threats include price erosion and service commoditization. To counter these threats, Customer Services is aggressively pursuing managed service relationships with its key customers. These services improve the efficiency and performance of the customers business, and increase the strategic and financial importance of their relationship with NCR.

The primary Customer Service competitors are the companies identified in NCR's other solutions. Key competitors encountered across all NCR solutions include IBM and Electronic Data Systems (EDS). NCR also competes with a range of smaller regional and local service companies that differ by geography.

Systemedia

Products

Systemedia develops, produces and markets a complete line of business consumables including paper rolls for ATMs and POS workstations, inkjet and laser printer supplies, thermal transfer ribbons, labels, ink ribbons, laser documents, business forms and retail office products. Systemedia products are designed to reduce paper-related failures and enable businesses to improve transaction accuracy while reducing overall costs.

Target Markets and Distribution Channels

The major industry segments targeted by Systemedia include general merchandise, food and drug, hospitality, financial services and consumer goods manufacturing. Systemedia has a direct sales force in 26 countries focused on providing solutions to major accounts. In addition, Systemedia products are sold through office product resellers, value-added resellers, telemarketing and the Internet (via NCR's TeleWeb initiative).

Competition

Competition in the consumable and media solutions business is significant and varies by geographic area and product group. The primary areas of competitive differentiation are typically quality, logistics and supply chain management expertise, and total cost of ownership. While price is always a factor, Systemedia focuses on total cost of ownership for all of its products. Total cost of ownership takes into account not only the per unit cost of the media, but also service, usage and support costs over the life of the system.

Payment and Imaging Solutions

Products and Services

Payment and Imaging provides end-to-end solutions for both traditional paper-based and image-based item processing. Payment and Imaging solutions utilize advanced image recognition and workflow technologies to automate item processing, helping financial industry businesses increase efficiency and reduce operating costs. Consisting of hardware, software, and consulting and support services, our comprehensive Payment and Imaging solutions enable check and item-based transactions to be digitally captured, processed and retained within a flexible, scalable environment.

Target Markets and Distribution Channels

NCR's Payment and Imaging solutions primarily serve the financial services industry worldwide with a major focus on banks. NCR has historically distributed most of its Payment and Imaging products and services through NCR's direct sales channel, although certain revenues are derived through sales by value-added-resellers, and distributors. Approximately two-thirds of the traditional Payment and Imaging product sales in recent years were sold by the direct sales force; the remainder was sold through indirect channels.

Competition

NCR faces competition in the financial services industry in all geographic areas where it operates. The primary areas of competition can vary, but typically include: quality of the solutions or products, total cost of ownership, industry knowledge, the vendor's ability to provide and support a total end-to-end solution, the vendor's ability to integrate new and existing systems, the fit of the vendor's strategic vision with the customer's strategic direction, and the quality of the vendor's support and consulting services. NCR's competitors vary by product, service offering and geographic area, and include IBM and Unisys Corporation, among others.

Other

NCR's Other business segment primarily relates to third-party computer hardware and related professional and installation services in our high-availability and networking services businesses and to a business in Japan that is not aligned with our other segments.

Research and Development

Information regarding research and development activities is included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of this Report under the caption "Operating Expenses," and is incorporated herein by reference.

Seasonality

Information regarding seasonality is included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of this Report under the caption "Operating Result Fluctuations," and is incorporated herein by reference.

Backlog

NCR believes that backlog is not a meaningful indicator of future business prospects due to the shortening of product delivery schedules and the significant portion of revenue related to its customer support services business, for which order information is not recorded.

Sources and Availability of Raw Materials

Information regarding sources and availability of raw materials is included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of this Report under the caption "Reliance on Third Parties," and is incorporated herein by reference.

Patents and Trademarks

NCR owns approximately 1,500 patents in the United States and slightly more in foreign countries. The foreign patents are generally counterparts of NCR's United States patents. Many of the patents owned by NCR are licensed to others and NCR is licensed to use certain patents owned by others. While NCR's portfolio of patents and patent applications in aggregate is of significant value to NCR, the Company does not believe that any particular individual patent is itself of material importance to NCR's business as a whole.

NCR has registered certain trademarks and service marks in the United States and in a number of foreign countries. NCR considers the mark "NCR" and many of its other trademarks and service marks to be valuable assets.

Employees

At February 28, 2003, NCR had approximately 29,700 employees and contractors.

Internet Information

NCR makes available through its website, free of charge, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and all amendments to such reports, as soon as reasonably practicable after these reports are electronically filed or furnished to the U.S. Securities and Exchange Commission (SEC) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. NCR will furnish, without charge, to a security holder upon written request a copy of the 2002 Annual Report to Stockholders and the 2003 Proxy Statement, portions of which are incorporated herein by reference. NCR will furnish any other exhibit at cost. Document requests are available by calling or writing to:

NCR - Investor Relations
1700 S. Patterson Boulevard
Dayton, OH 45479
Phone: 937-445-5905
investor.relations@ncr.com
http://investor.ncr.com

Environmental Matters

Information regarding environmental matters is reported in NCR's 2002 Annual Report to Stockholders as part of Note 11 of Notes to Consolidated Financial Statements, "Commitments and Contingencies," and is incorporated herein by reference.

Item 2. PROPERTIES

As of March 3, 2003, NCR operated approximately 514 facilities consisting of approximately 12.1 million square feet throughout the world. On a square footage basis, approximately 58% are owned and 42% are leased. Within the total facility portfolio, NCR operates approximately 26 research and development and manufacturing facilities totaling approximately 3.2 million square feet, 85% of which is owned. The remaining 8.9 million square feet within the facility portfolio includes office, repair, warehouse, and other miscellaneous sites, and is 49% owned. NCR maintains facilities in 68 countries.

NCR's business units are headquartered in Dayton, Ohio (Financial Solutions Division, including its Payment and Imaging business, Teradata Division and Systemedia Division) and Atlanta, Georgia (Retail Solutions Division).

NCR believes its plants and facilities are suitable and adequate, and have sufficient productive capacity to meet its current needs.

Item 3. LEGAL PROCEEDINGS

Information regarding legal proceedings is included in Note 11 of the Notes to Consolidated Financial Statements, "Commitments and Contingencies," in NCR's 2002 Annual Report to Stockholders, and is incorporated herein by reference.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 4. (a) EXECUTIVE OFFICERS OF THE REGISTRANT

The Executive Officers of NCR (as of March 13, 2003) are as follows:

Name	Age	Position and Offices Held
Lars Nyberg	51	Chairman of the Board, Chief Executive Officer, and President*
Mark V. Hurd	46	President and Chief Operating Officer*
Earl C. Shanks	46	Senior Vice President and Chief Financial Officer
Wilbert J. M. Buiter	44	Senior Vice President, Human Resources
Gerald A. Gagliardi	55	Senior Vice President, Worldwide Customer Services Division
Jonathan S. Hoak	53	Senior Vice President and General Counsel
Michael Koehler	50	Senior Vice President, Teradata Division
Mark Quinlan	50	Vice President, Systemedia Division
Lee Schram	41	Senior Vice President, Retail Solutions Division
Keith Taylor	52	Senior Vice President, Financial Solutions Division

* Effective as of March 14, 2003, Mr. Nyberg will resign as President and Chief Executive Officer, and Mr. Hurd will become NCR's President and Chief Executive Officer.

NCR's Executive Officers

Lars Nyberg. Mr. Nyberg has been Chairman, Chief Executive Officer and President of NCR since June 1, 1995. He has resigned as Chief Executive Officer and President of the Company effective as of March 14, 2003. He was appointed non-executive Chairman of NCR's Board of Directors as of that date. Before joining NCR, Mr. Nyberg held various senior management positions with Philips Electronics NV, an electronics and electrical products company, including serving as Chairman and Chief Executive Officer of Philips' Communications and Computer Divisions. Mr. Nyberg is a director of Sandvik AB and Snap-On Incorporated. He became a director of NCR in 1995.

Mark V. Hurd. Mark Hurd will become Chief Executive Officer of NCR on March 14, 2003. He is also the Company's President, a position he has held since July 2001. From September 2002 until March 14, 2003, Mr. Hurd has served as NCR's Chief Operating Officer. From July 2000 until that time, he was Chief Operating Officer of the Teradata Division and, from July 2000 until July 2001, Executive Vice President, NCR. Since he started his career at NCR in 1980, Mr. Hurd has held a series of sales and marketing positions with increasing management responsibility, including Senior Vice President, Teradata Solutions Group from 1998 to June 2000 and Vice President, Worldwide Marketing and Americas Professional Services Division, from 1994 to 1998. Mr. Hurd will become a director of NCR on March 14, 2003.

Earl C. Shanks. Earl Shanks was appointed Senior Vice President and Chief Financial Officer of NCR in September 2001. Prior to assuming that position, he was Vice President of Corporate Finance starting in December 1998. From September 1997 to December 1998, Mr. Shanks was Vice President and Corporate Controller, and from 1996 to September 1997 he was NCR's Treasurer. Before joining NCR in 1996, Mr. Shanks was Vice President and Treasurer at Fruit of the Loom, Inc.

Wilbert Buiter. Wilbert Buiter has been Senior Vice President, Human Resources, of NCR since August 1, 1998. Prior to joining NCR, Mr. Buiter spent 15 years with Philips Electronics in a variety of operations, staff and managerial human resources assignments, including from July 1997 to July 1998, when he served as Senior Vice President, Human Resources, for Philips Consumer Communications, a joint venture between Philips and Lucent Technologies Inc.

Gerald A. Gagliardi. Gerald Gagliardi joined NCR as Senior Vice President, Worldwide Customer Services Division in January 2001. From June 2000 to January 2001, he served as a consultant to E. M. Warburg Pincus & Company, LLC, where he was engaged in acquisitions in the services industry. From October 1999 to June 2000, he also served as President and Chief Executive Officer of Inacom Corp. In June 2000, Inacom Corp. filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. Prior to October 1999, he spent 28 years at the Unisys Corporation where he held progressively senior management positions in the company's services division, including Executive Vice President and President of Global Customer Services from 1995 to 1999.

Jonathan S. Hoak. Jonathan Hoak became Senior Vice President and General Counsel for NCR in December 1993. Prior to joining NCR, he was general attorney for AT&T's Federal Systems Division and a partner at a prominent national law firm.

Michael Koehler. Michael Koehler became Senior Vice President of NCR's Teradata Division on March 4, 2003. Prior to assuming this position, from September 2002 to March 2003, he was the Interim Teradata Division Leader and Vice President, Global Sales and Services, Teradata Division. From October 1999 to September 2002, Mr. Koehler was Vice President, Global Sales and Services, Teradata Division. Prior to that, from June 1997 to October 1999, he was Vice President, Americas, Retail Solutions Group, and from July 1995 to June 1997, he was Vice President, Marketing, Retail Solutions Group.

Mark Quinlan. Mark Quinlan became Vice President and General Manager of NCR's Systemedia Division in September 2001. Mr. Quinlan had been the Acting Vice President of the Systemedia Division since May 2001. Prior to assuming this position, from 1999 to 2001, he was Vice President, Americas Sales for the Systemedia Division and, from 1996 to 1999, he was Vice President, Global Marketing, Systemedia Division.

Lee Schram. Lee Schram became Senior Vice President of NCR's Retail Solutions Division on March 4, 2003. Prior to assuming this position, from January 2002 to March 2003, he was Vice President and General Manager, Payment Solutions for the Financial Solutions Division. From September 2000 to January 2002, Mr. Schram was Chief Financial Officer of the Company's Retail and Financial Group. Prior to that, from 1999 to September 2000, he was NCR's Corporate Controller, and from 1996 to 1999, he was Chief Financial Officer of the Company's Retail Solutions Group.

Keith Taylor. Keith Taylor has been Senior Vice President of NCR's Financial Solutions Division since May 2001. Prior to that time, he was Vice President, Systemedia Group, from August 1999 to May 2001. From 1998 to August 1999, Mr. Taylor was Vice President, Worldwide Customer Services, Asia/Pacific region. From 1997 to 1998, he was Director of Logistics for NCR's Worldwide Customer Services, Europe/Middle East/Africa area.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

NCR common stock is listed on the New York Stock Exchange and trades under the symbol "NCR." There were approximately 204,000 registered holders of record of NCR common stock as of February 28, 2003. The following table presents the high and low per share sales prices for NCR common stock for each quarter of 2002 and 2001.

	2002 High	2002 Low		2001 High	2001 Low
1st Quarter	$45.59	$36.80	1st Quarter	$49.70	$37.50
2nd Quarter	$44.90	$33.30	2nd Quarter	$50.00	$35.27
3rd Quarter	$35.95	$19.35	3rd Quarter	$48.65	$28.93
4th Quarter	$29.01	$18.80	4th Quarter	$39.50	$28.59

NCR does not anticipate the payment of cash dividends on NCR common stock in the foreseeable future. The declaration of dividends will be subject to the discretion of the Board of Directors of NCR. Payment of dividends on NCR common stock will also be subject to such limitations as may be imposed by NCR's credit facilities from time to time.

From January 1, 2003 through March 12, 2003, the Company repurchased approximately 2.4 million shares of NCR common stock at an average market price of $18.69 per share. These repurchases were part of the systematic repurchase program, which is described in NCR's 2002 Annual Report to Stockholders as part of Note 8 of Notes to Consolidated Financial Statements, "Stock Compensation Plans, Purchases of Company Common Stock and Put Options."

Item 6. NCR CORPORATION SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2002, appears in the "Selected Financial Data" chart at the end of NCR's 2002 Annual Report to Stockholders, and is incorporated herein by reference.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We provide the technology and services that help businesses interact, connect and relate with their customers. Our market-leading Data Warehousing solutions transform information into knowledge, permitting businesses to respond with programs designed to improve customer acquisition, retention and profitability. Through our presence at customer interaction points, such as automated-teller machines (ATMs), retail point-of-sale (POS) workstations, self-checkout systems, electronic shelf labels (ESLs), and web-enabled kiosks, our Financial Self Service and Retail Store Automation solutions enable companies to capture and process transaction-based information. Services are an essential component of each of our complete offerings, and our Customer Services division is a global leader in information technology (IT) and services delivery.

We provide specific solutions for the retail and financial industries, and through our Data Warehousing and Customer Services businesses, we provide solutions for industries including telecommunications, transportation, insurance, utilities and electronic commerce, as well as consumer goods manufacturers and government entities. Our solutions are built on a foundation of long-established industry knowledge and consulting expertise, hardware technology, value-adding software, global customer support services, and a complete line of business consumables and specialty media products.

Our key solutions are categorized as Data Warehousing, Financial Self Service, Retail Store Automation and Customer Services, each of which is a reportable operating segment. In addition, our Systemedia and Payment and Imaging solutions are reportable segments. A seventh segment, Other, primarily relates to third-party computer hardware and related professional and installation services in our high availability and networking services businesses and to a business in Japan that is not aligned with our other segments. Our segments are comprised of hardware, software, professional and installation-related services and customer support services.

We deliver our solutions to customers on a global basis, and categorize our results in four regions: the Americas, Europe/Middle East/Africa (EMEA), Japan and Asia/Pacific excluding Japan (Asia/Pacific).

RESULTS FROM OPERATIONS

In millions	2002/1/	2001/2/	2000/3/
Consolidated revenue	$5,585	$5,917	$5,959
Consolidated gross margin	1,587	1,794	1,867
Consolidated operating expenses:			
Selling, general and administrative expenses	1,166	1,315	1,329
Research and development expenses	232	293	333
Total consolidated income from operations	$ 189	$ 186	$ 205

/1/ Income from operations for 2002 includes real estate consolidation and restructuring charges of $16 million and asset impairment charges of $5 million.

/2/ Income from operations for 2001 includes a $39 million provision for uncollectible loans and receivables related to Credit Card Center (CCC), $9 million of integration costs related to acquisitions and $67 million of goodwill amortization.

/3/ Income from operations for 2000 includes $38 million for restructuring and other related charges, $25 million for in-process R&D charges related to acquisitions, $2 million for integration costs related to acquisitions and $33 million of goodwill amortization.

Total revenue decreased 6% in 2002 versus the prior year. When adjusted for the impact of foreign currency fluctuations, revenue declined 7%. The revenue decline in 2002 was primarily attributed to lower revenue from exited businesses and the impact of depressed IT capital spending. This adverse capital spending environment impacted our Customer Services and Retail Store Automation businesses while weakness in the European economy and lower upgrade activity following the Euro conversion on January 1, 2002, specifically affected our Financial Self Service solutions. These declines were partially offset by improved performance from Data Warehousing in the Americas and EMEA regions, as well as the continued success of Financial Self Service in the Asia/Pacific region. Total revenue declines in 2002 of 8% in the Americas region, 7% in the EMEA region and 4% in Japan were partially offset by growth in the Asia/Pacific region of 6%. Adjusted for the impact of foreign currency fluctuations, 2002 revenues declined 11% in the EMEA region and 2% in Japan, contrasted to a 4% increase in the Asia/Pacific region.

Total operating income was $189 million in 2002 versus operating income of $186 million and $205 million in 2001 and 2000, respectively. In 2002, total operating income included $5 million of asset impairment charges and $16 million of real estate consolidation and restructuring charges. Excluding the impact of prior year goodwill amortization of $67 million, total operating income decreased $64 million. This decline was mainly due to lower revenue relating to exited businesses, margin erosion due to competitive pressure, lower product revenue and the impact of pension and postemployment changes.

In 2001, total revenue decreased 1% compared to 2000, but increased 2% when adjusted for the impact of foreign currency fluctuations. Revenues reflected declines from exited businesses and the impact of the slow United States (U.S.) economy on capital spending, offset by the strength of our Financial Self Service solutions in the expanding Asia/Pacific marketplace and the EMEA region, specifically due to higher sales and upgrades relating to the conversion to the Euro currency. Total revenue declines in 2001 of 4% in the Americas region and 12% in Japan were partially offset by growth in the EMEA and Asia/Pacific regions of 6% and 9%, respectively. Adjusted for the impact of foreign currency fluctuations, 2001 revenues increased 9% in the EMEA region and 16% in the Asia/Pacific region, contrasted to a 1% decline in Japan.

In 2001, total operating income included a $39 million provision for uncollectible loans and receivables related to Credit Card Center (CCC), $9 million of acquisition-related integration charges and $67 million of goodwill amortization. In addition to these expenses, the decline in total operating income in 2001 reflected a lower mix of higher-margin product revenues versus services revenue and lower customer services margin as a percentage of revenue, partially offset by a reduction in operating expenses.

Revenue And Operating Margin By Segment

For purposes of discussing our operating results by segment, we exclude the impact of certain items from operating income, consistent with the manner by which we manage each segment and report our operating segment results under Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures about Segments of an Enterprise and Related Information." Although such exclusions result in financial information that differs from generally accepted accounting principles (GAAP) in the United States, it is useful to investors because it includes the same information that is used by our management to assess our

overall financial performance and the financial performance of our operating segments. Moreover, this non-GAAP information excludes items that reflect management decisions made for the long-term benefit of our company overall, but which may have a disproportional impact, either positively or negatively, within the reporting period, or exclude events that occur infrequently and therefore do not reflect ongoing operational performance within the period. The effects of pension income, goodwill amortization, and other special items as described in Note 12 of Notes to Consolidated Financial Statements have been excluded from the operating income for each reporting segment presented and discussed below. Our segment results are reconciled to total company GAAP results in Note 12 of Notes to Consolidated Financial Statements.

Data Warehousing provides the market-leading Teradata data warehousing database software, hardware platform and related services that enable companies to gain a competitive advantage by more quickly and efficiently analyzing customer behavior and other business information and then delivering that business intelligence to the company's decision-makers. Combining computer hardware, software, professional consulting services, customer support services and third-party software from leading technology firms, our Data Warehousing solutions are designed to enable businesses, across multiple industries, to quickly leverage detailed data into actionable opportunities.

The following table presents Data Warehousing (including hardware and software maintenance) revenue and total operating income (loss) for the years ended December 31:

In millions	2002	2001	2000
Data Warehousing revenue	$1,226	$1,149	$1,134
Data Warehousing operating income (loss)	$ 112	$ (53)	$ (60)

Data Warehousing revenue increased 7% in 2002 compared to 2001, outpacing the industry despite the challenging economic environment. During 2002, Data Warehousing increased product revenues as a result of existing customers upgrading their data warehouses and the addition of approximately 100 new customers. Data Warehousing generated significant year-over-year growth in the insurance, communications, government and retail sectors. In addition, hardware and software maintenance revenue increased as a result of growth in our installed customer base. Data Warehousing solutions experienced revenue growth in the Americas and EMEA regions, partially offset by declines in the Asia/Pacific region and Japan. Operating income improved to $112 million in 2002, compared to an operating loss of $53 million in 2001, primarily attributed to reductions in costs and expenses not aligned to demand-creation activities, as well as higher product and maintenance revenues.

In 2001, revenue increased 1% despite a challenging economic environment compared to 2000. This increase was primarily attributable to an increase in hardware and software maintenance revenue as a result of growth in our installed customer base. The 2001 operating loss improved by $7 million from 2000 due to a lower expense structure which was partially offset by a lower mix of higher-margin hardware and software products, versus lower-margin professional services.

We expect continued revenue growth in 2003 driven by the ability of our Teradata business to grow market share despite the depressed IT capital spending environment. We anticipate that our maintenance revenue will continue to grow as a result of growth in our installed customer base. This expected growth, when combined with our continued focus on cost and expense management, should result in improved operating profitability for Teradata Data Warehousing in 2003.

Financial Self Service provides ATMs and related software, including our APTRA operating system software, to banks, credit unions and retailers. Our market-leading value proposition is based on our high-quality ATM product family which provides a broad array of functionality, our leadership position in multi-vendor software, and our best-in-class project management services, all delivered at an attractive cost of ownership. Our Financial Self Service solutions are designed to quickly and reliably process high volumes of consumer transactions and incorporate advanced features such as web enablement, automated check cashing/deposit, automated cash deposit, bill payment and the dispensing of non-cash items. Financial Self Service solutions enable businesses to reduce costs and generate new revenue streams, as well as enhance customer loyalty.

The following table presents Financial Self Service revenue and total operating income for the years ended December 31:

In millions	2002	2001	2000
Financial Self Service revenue	$1,095	$1,114	$1,077
Financial Self Service operating income	$ 115	$ 168	$ 143

Financial Self Service revenue decreased 2% in 2002 compared to 2001. The revenue decrease in 2002 was driven by a decline in the EMEA region, partially offset by increases in the Asia/Pacific and Americas regions. The revenue decline in the EMEA region was attributed to economic weakness and competitive pressure in Europe. Additionally, there were fewer upgrades and purchases of equipment in 2002 versus higher levels of upgrades in 2001 as financial institutions prepared for the January 1, 2002 conversion to the Euro currency. Growth in the Americas region was related to upgrades and purchases by top tier banks and 7-Eleven's purchase of our advanced function ATMs. Growth experienced in the Asia/Pacific region was primarily driven by strong markets in China and India as an increasing number of financial institutions in these countries are installing ATMs for the first time. The operating income decline in 2002 versus the prior year was mainly due to lower product revenue and competitive pressure in Europe.

In 2001, revenues increased 3% compared to 2000. This increase was due largely to the growth in the Asia/Pacific region, particularly in the emerging markets of India and China, and growth in Europe as banks and financial institutions prepared for the January 1, 2002 conversion to the Euro currency. The operating income increase in 2001 versus 2000 was due primarily to higher volume and lower expenses.

We will leverage our worldwide sales, service and manufacturing presence while we continue to focus on expense management in our Financial Self Service segment in 2003. We will also drive expansion in our business in the Asia/Pacific region as we increase production at our Beijing and India manufacturing facilities. We expect flat revenue in 2003 as continued softness in the European market is expected to offset growth in other regions.

Retail Store Automation provides retail-oriented technologies such as POS terminals, bar-code scanners and software as well as innovative self-checkout systems and electronic shelf labels to retailers. Our retail solutions are industry-tested and have proven their business value in the most extreme of retail environments including high-volume food stores, general merchandisers and fast-food restaurants. Combining our retail industry expertise, software and hardware technologies, and implementation and consulting services, our Retail Store Automation solutions are designed to improve selling productivity and checkout processes, and increase customer satisfaction for our retail customers.

The following table presents Retail Store Automation revenue and total operating (loss) income for the years ended December 31:

In millions	2002	2001	2000
Retail Store Automation revenue	$714	$834	$894
Retail Store Automation operating (loss) income	$(57)	$ 10	$ 4

Retail Store Automation revenue decreased 14% in 2002 compared to 2001. The revenue decline was primarily the result of decreased revenues in the Americas and Japan regions as retailers continue to delay capital spending. The operating income decline in 2002 was predominately the result of lower revenue, competitive pressures and transition costs relating to our supply chain.

In 2001, revenue decreased 7% compared to 2000 due largely to post Y2K and the continued constrained capital spending of retailers. The improvement in operating income in 2001 was primarily the result of lower cost and expense.

We expect to see revenue growth in 2003 driven by 2002 order activity which is likely to be partially offset by continued weakness in the retail marketplace. We should also begin to harvest our research and development investments as our product mix shifts to newer products and the industry prepares for a long-overdue upgrade cycle. Streamlining and lowering the cost in our supply chain, as well as ongoing expense management, will better position Retail Store Automation to improve profitability in 2003.

Systemedia provides business consumables and products including paper rolls for ATMs and POS workstations inkjet and laser printer supplies, thermal transfer ribbons, labels, ink ribbons, laser documents, business forms and retail office products. Systemedia products are designed to reduce paper-related failures in our ATMs and POS terminals and enable businesses to improve transaction accuracy while reducing overall costs.

The following table presents Systemedia revenue and total operating income for the years ended December 31:

In millions	2002	2001	2000
Systemedia revenue	$518	$503	$502
Systemedia operating income	$ 6	$ 1	$ 8

Systemedia revenues increased 3% in 2002 compared to 2001. In 2002, revenue increased in all regions except the Asia/Pacific region. Operating income improved in 2002 versus the prior year predominately due to cost reductions in manufacturing and supply-line management.

In 2001, revenue remained relatively flat compared to 2000. The growth experienced in the Americas region was offset by declines in Japan and the EMEA and Asia/Pacific regions. Operating income declined in 2001 primarily due to continued competitive pricing pressures impacting gross margin, offset partially by lower operating expenses.

We expect revenue for Systemedia to be flat in 2003 compared to 2002. Growth driven by sales of retail office products and increasing the capture rate of our ATM and POS customers is expected to be offset by declines in sales of traditional paper products.

Payment and Imaging provides end-to-end solutions for both traditional paper-based and image-based item processing. Our imaging solutions utilize advanced image recognition and workflow technologies to automate item processing, helping financial industry businesses increase efficiency and reduce operating costs. Consisting of hardware, software, and consulting and support services, our comprehensive Payment and Imaging solutions enable check and item-based transactions to be digitally captured, processed and retained within a flexible, scalable environment.

The following table presents Payment and Imaging revenue and total operating income for the years ended December 31:

In millions	2002	2001	2000
Payment and Imaging revenue	$152	$186	$185
Payment and Imaging operating income	$ 19	$ 17	$ 18

Payment and Imaging revenue declined 18% in 2002 compared to 2001. This decline was largely attributed to the sale of our item-processing outsourcing business that contributed $30 million of revenue in 2001 (see Note 4 of Notes to Consolidated Financial Statements). Operating income increased in 2002 compared to 2001 primarily related to lower operating expenses.

In 2001, revenue remained relatively flat compared to 2000. Operating income slightly declined during 2001 compared to 2000 due to product margin erosion.

We expect 2003 revenue to be consistent with the revenue generated in 2002. Payment and Imaging is shifting its focus from traditional item-processing to imaging solutions as check volume and traditional item-processing decline and financial institutions move to digital images to process, and potentially clear, checks electronically.

Customer Services are an essential component of our complete solution offerings. NCR's Customer Services division is a global leader in IT services delivery. In addition to providing maintenance and support for our base of NCR solution customers, our Customer Services segment provides services from consulting to site design, to staging and implementation and maintenance for third parties, to complete systems management.

As a result of supporting our solutions around the world, Customer Services has established an unmatched service delivery capability, and has leveraged this global presence and experience to develop and deliver a comprehensive portfolio of IT infrastructure services to businesses in other industries. These high availability services focus on the vital systems, networks, software and security that comprise the IT infrastructure of today's businesses, and include operations management, consulting, deployment and maintenance. Customer Services provides these services directly to global businesses as well as through partnerships with leading technology, network and systems suppliers including Cisco Systems, Dell Computer Corporation, Sun Microsystems and others.

The following table presents Customer Services revenue and total operating income for the years ended December 31:

In millions	2002	2001	2000
Customer Services revenue	$1,791	$1,968	$1,945
Customer Services operating income	$ 37	$ 170	$ 215

Customer Services revenue declined 9% in 2002 compared to 2001. This decline was largely due to lower maintenance revenue relating to exited businesses, lower professional services and installation-related services due to lower overall company revenues and softness in the third-party contracts market. Our exited businesses relate to bank branch automation, home banking, account processing and low-end server businesses we exited in the 1990s. Customer Services maintenance revenue related to exited businesses declined more than $100 million in 2002. The operating income decline in 2002 was primarily due to lower maintenance revenue from our exited businesses and margin erosion.

In 2001, revenue slightly increased versus 2000 largely due to higher customer services maintenance revenue for our Financial Self Service solution. The operating income decline in 2001 compared to 2000 was principally related to margin erosion from pricing pressures and the impact of exited businesses.

Customer Services revenue is expected to be down in 2003 as the continued decline in maintenance revenues related to exited businesses will offset the expected growth in maintenance revenues for Financial Self Service and Retail Store Automation. The declining revenue from our exited businesses will continue through 2004. Additionally, Customer Services will continue to focus on increasing its managed services business in 2003.

Restructuring and re-engineering

In the third quarter of 2002, we announced re-engineering plans to drive operational efficiency throughout our company. We targeted process improvements to drive simplification, standardization, globalization and consistency across the organization. Key business processes and supporting functions are being evaluated to improve efficiency and effectiveness of operations. To support our growth initiatives, we will focus on our sales process and sales management. Initiatives in this area include capitalizing on our value propositions, improving sales training, territory management and sales metrics and simplifying the sales process. To reduce our cost of delivering products and services, we will focus on improvements to our supply chain that will yield lower inventory levels as well as reductions in inventory handling, freight and warehousing costs. In addition, we will reduce product costs through design and procurement initiatives. In services, we will focus on completion of a global model for service delivery. To reduce our expense structure, we are standardizing our global IT applications, continuing to reduce our real estate costs and implementing new global processes within the finance and administration areas to streamline these processes to begin to reach benchmark standards.

During the fourth quarter of 2002, in connection with these efforts, management approved a real-estate consolidation and restructuring plan designed to accelerate our re-engineering and consolidation strategies. Since 1997, we have reduced the number of facilities utilized by NCR and have reduced the total space used by more than four million square feet. We will continue to reduce excess square footage through better utilization of current space, increasing the use of virtual offices and the sale of underutilized facilities.

As part of our re-engineering, real estate consolidation and restructuring plans, during the fourth quarter of 2002, we incurred a real estate consolidation and restructuring charge of $25 million, of which $8 million was for restructuring charges related to contractual lease termination costs, $9 million related to asset impairment charges and $8 million for lease buy-outs and other real estate consolidation costs.

Gross margin

Gross margin as a percentage of revenue decreased 1.9 percentage points to 28.4% in 2002 from 30.3% in 2001. Product gross margin declined 1.4 percentage points to 34.7% and services gross margin decreased 2.5 percentage points to 21.7%. In 2002, product gross margin included $4 million of asset impairment charges and services gross margin included $8 million for real estate restructuring charges. Product gross margin, including the asset impairment charge, declined primarily due to rate declines relating to competitive pressure in Retail Store Automation and Financial Self Service combined with lower volume in Retail Store Automation, partially offset by improved margin performance in Data Warehousing. The decline in services gross margin was largely due to the lower revenue from exited businesses, margin erosion relating to competitive pricing pressure and the impact of the restructuring charge.

The 2001 gross margin decreased 1.0 percentage point compared to 2000. Product gross margin declined 1.0 percentage point to 36.1% and services gross margin decreased 0.6 percentage points to 24.2%. In 2001, product gross margin included $1 million of acquisition-related integration charges and services gross margin included $5 million of acquisition-related integration charges. Product gross margin declined largely due to lower hardware margins for Data Warehousing and Retail Store Automation. The decline in service gross margin was primarily due to exited businesses and the underutilization of our customer services infrastructure resulting from the slower economy and its effect on the retail and telecommunication industries. In 2000, gross margin as a percentage of revenue was 31.3% and included $37 million of restructuring charges and $1 million of acquisition-related integration charges.

Operating expenses

Selling, general and administrative (SG&A) expenses decreased $149 million, or 11%, in 2002 compared to 2001. Excluding the impact of prior year goodwill amortization of $67 million, SG&A expenses decreased $82 million, or 7%, of which $39 million of this decline related to the prior year CCC charge. In 2002, SG&A expenses included $9 million of real estate consolidation and asset impairment charges. The decrease in 2002 was primarily due to continued infrastructure cost improvements and the curtailment of discretionary spending. This strategy will continue in 2003 as we target process improvements to drive simplification, standardization and globalization and consistency across the organization. SG&A expenses decreased $14 million, or 1%, in 2001 compared to 2000. In 2001, SG&A expenses included a $39 million provision for uncollectible loans and receivables related to CCC and $3 million of acquisition-related integration charges. The decrease in 2001 SG&A expenses was

mainly due to infrastructure improvements and curtailment of discretionary spending. As a percentage of revenue, SG&A expenses were 20.9%, 22.2% and 22.3%, in 2002, 2001 and 2000, respectively.

Research and development (R&D) expenses decreased $61 million, or 21%, in 2002 compared to the prior year. The decline in 2002 is a result of utilizing more industry-standard components and the benefit from consolidating our R&D facilities. R&D expenses decreased $40 million, or 12%, in 2001 compared to 2000. The decline in 2001 related to the rationalization of our spending and the elimination of duplicative R&D expenses associated with our customer relationship management software, as we completed the integration of Ceres Integrated Solutions, LLC, which we acquired in 2000. In 2000, R&D expenses included $25 million of in-process R&D charges relating to acquisitions. As a percentage of revenue, R&D expenses were 4.2%, 5.0% and 5.6% in 2002, 2001 and 2000, respectively.

Cost of revenue and total expenses for the years ended December 31, were impacted by certain employee benefit plans as shown below:

In millions	2002	2001	2000
Pension (income) Expense	$(74)	$(124)	$(124)
Postemployment Expense	75	37	21
Postretirement Expense	16	13	13
Net Expense (income)	$ 17	$ (74)	$ (90)

During the 12 months ended December 31, 2002, we realized a $74 million benefit from pension income versus a $124 million benefit in 2001. The decline was due primarily to the impact of the investment performance of our pension fund portfolio in the difficult market environments during 2000 and 2001. Predominately due to the poor performance of the equity markets over the past few years and changes to actuarial assumptions, we expect pension expense of approximately $95 million in 2003.

Postemployment expense (severance, disability and medical) increased to $75 million for the 12 months ended December 31, 2002, versus $37 million in 2001. This increase in expense was primarily attributable to a $33 million increase resulting from a change in the assumed demographic mix of our involuntary employee turnover. The change was made based on actual recent experience factors. Expense increased by $16 million for the 12 months ended December 31, 2001 versus the comparable period in 2000. This increase was primarily attributable to a one-time reduction in our long-term disability medical liability of $12 million in 2000 due to assumption changes relating to long-term disability recovery rates and mortality rates for people on long-term disability. We expect our postemployment expense to be approximately $84 million in 2003.

Postretirement plan expense (medical and life insurance) for the 12 months ended December 31, 2002 was $16 million, which increased over the prior year, primarily due to completing the amortization of the benefits of our 1998 plan design changes during the year.

Income before income tax

Operating income was $189 million in 2002, versus operating income of $186 million and $205 million in 2001 and 2000, respectively. In 2002, operating income included $5 million of asset-impairment charges and $16 million of real estate consolidation and restructuring charges. Excluding the impact of prior-year goodwill amortization of $67 million, operating income decreased $64 million. This decline is primarily due to lower revenue from exited businesses, margin erosion from competitive pressure and lower product revenue and the impact of pension and postemployment changes. In 2001, operating income included a $39 million provision for uncollectible loans and receivables related to CCC, $9 million of acquisition-related integration charges and $67 million of goodwill amortization. The decline in operating income in 2001 reflected a lower mix of higher-margin product revenues versus services revenue and lower customer services margins, partially offset by a reduction in operating expenses. In 2000, operating income included $38 million of restructuring and related charges, $25 million of in-process R&D charges relating to an acquisition and $2 million of acquisition-related integration charges.

Interest expense was $19 million in 2002, $18 million in 2001 and $13 million in 2000. Other expense, net, was $39 million in 2002, and consisted primarily of a $14 million investment basis write-down of marketable securities in Japan for losses that were considered to be other than temporary, a $9 million charge relating to an indemnification claim made by Lucent Technologies, Inc. (see Note 11 of Notes to Consolidated Financial Statements), $8 million of real estate consolidation impairment charges and $6 million of costs relating to the disposition of a small non-strategic business. Other expense, net, was $44 million in 2001, and consisted predominately of a $40 million charge related to the Fox River environmental matter (see Note 11 of Notes to Consolidated Financial Statements), $7 million of goodwill amortization expense and $16 million of investment basis write-downs for losses that were considered to be other than temporary. These expenses were partially offset by $10 million of interest income and $20 million of other income representing both a gain from the sale of our account and item-processing outsourcing businesses and a gain related to the demutualization of one of our health insurance providers. Other income, net, was $83 million in 2000, which consisted primarily of $48 million in gains from facility sales and $31 million of interest income, partially offset by $6 million in goodwill amortization expense.

Income tax

Income tax expense was $3 million in 2002 compared to income tax benefit of $97 million in 2001 and income tax expense of $97 million in 2000. The income tax expense in 2002 was reduced by a $15 million benefit relating to the resolution of outstanding issues on refund claims from the U.S. and French governments. The income tax benefit in 2001 included a $138 million benefit resulting from the favorable settlement of audit issues in our 1993 and 1994 tax years related to a number of international dividend transactions. These issues had been the subject of dispute between the Internal Revenue Service (IRS) and NCR, therefore, a reserve for these items had been established in prior periods. Upon favorable settlement of the dispute during 2001, the reserve was released.

Our effective tax rate was approximately 14% for 2002 excluding the tax impacts relating to the adoption of Statement of Financial Accounting Standard No. 142 (SFAS 142), "Goodwill and Other Intangible Assets," and the benefit from the resolution of outstanding issues on refund claims. Each year our effective tax rate includes a certain amount of benefit related to the use of foreign tax credits. For 2002, the amount of such benefit as compared to the amount of income before tax was larger than previous years. Our effective tax rate was approximately 33% for 2001 excluding the impact of the provision for uncollectible loans and receivables related to CCC, acquisition-related integration costs, a charge related to the Fox River environmental matter, the cumulative effect of adopting Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities," and the benefit from the favorable resolution of international income tax issues described above. Our effective tax rate was approximately 33% for 2000, excluding restructuring and other related charges, acquisition-related integration and in-process R&D charges. We anticipate our tax rate will be approximately 28% in 2003.

Cumulative effect of accounting change

The cumulative effect of accounting change in 2002 was a non-cash, net-of-tax goodwill impairment charge of $348 million which relates to the adoption of SFAS 142. The cumulative effect of accounting change in 2001 of $4 million relates to the adoption of SFAS 133.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Our cash, cash equivalents and short-term investments totaled $526 million at December 31, 2002 compared to $336 million and $357 million at December 31, 2001 and 2000, respectively.

We generated cash flow from operations of $247 million, $146 million and $171 million in 2002, 2001 and 2000, respectively. The cash generated from operations in 2002 was driven by operating profitability and was partially offset by negative net working capital and disbursements for employee severance and pension. Net working capital was impacted by a $90 million increase in receivables largely relating to the discontinuation of receivables factoring in 2002. The cash generated in 2001 was driven by operating profitability and improved asset management, specifically accounts receivable, partially offset by disbursements for employee severance and pension. Receivable balances decreased $212 million in 2001 compared to an $80 million increase in 2000. The decrease in receivables in 2001 versus 2000 was primarily attributable to lower fourth-quarter revenues, incremental factoring of receivables of approximately $18 million and a continued focus on collections. The cash generated from operations in 2000 was driven primarily by operating results, partially offset by disbursements for employee severance and pension.

Net cash flows used in investing activities was $220 million, $233 million and $367 million in 2002, 2001 and 2000, respectively. The net use of cash in investing activities in 2002, 2001 and 2000 primarily represented net capital expenditures for property, plant and equipment, reworkable service parts and additions to capitalized software. Capital expenditures were $259 million, $325 million and $391 million for the years ended 2002, 2001 and 2000, respectively. Proceeds from sales of property, plant and equipment are primarily driven by our continued focus to reduce our excess real estate. We have progressively reduced our capital spending due to the challenging economic climate and we will continue to manage our capital expenditures below our depreciation and amortization expense. In 2000, we reduced our net short-term investment position by $182 million to fund acquisition activities.

Net cash provided by financing activities was $151 million and $87 million in 2002 and 2001, respectively, compared to a $7 million use in 2000. The net cash provided in 2002 was primarily driven by the net proceeds received from our private issuance of long-term debt, offset in part by the repurchase of Company common stock and repayment of short-term debt. The proceeds from the issuance of the June 2002 long-term debt were $296 million after discount and expenses. Proceeds from short-term borrowings were $101 million, $213 million and $10 million for 2002, 2001 and 2000, respectively. During 2002, $234 million of cash was utilized to repay short-term borrowings, compared to repayments of $171 million and $21 million for 2001 and 2000, respectively. We used $66 million, $60 million and $110 million in 2002, 2001 and 2000, respectively, for the purchase of Company common stock pursuant to the systematic stock repurchase program. We expect this program to continue in 2003.

Other financing activities primarily relate to share activity under our stock option and employee stock purchase plans. Proceeds from our employee stock plans were $51 million, $101 million and $122 million for 2002, 2001 and 2000, respectively.

In 2002, global capital market developments resulted in negative returns on NCR's pension funds and a decline in the discount rate used to estimate the pension liability. As a result, the accumulated benefit obligation exceeded the fair value of plan assets and NCR was required to adjust the minimum pension liability recorded in the consolidated balance sheet. This $841 million charge decreased prepaid pension costs by $523 million, increased pension liabilities by $325 million, increased intangible assets by $7 million, increased deferred taxes by $290 million and increased other comprehensive loss by $551 million. This non-cash charge did not affect our 2002 earnings, cash flow or debt covenants, nor did it otherwise impact our business operations.

Contractual and Commercial Commitments In the normal course of business, we enter into various contractual and other commercial commitments that impact, or could impact, the liquidity of our operations. The following table outlines our commitments at December 31, 2002:

In millions	Total Amounts	Less than 1 Year	1-3 Years	4-5 Years	Over 5 Years
Long-term debt	$ 306	$ --	$ 1	$ --	$305
Operating leases (non-cancelable)	342	64	85	56	137
Short-term borrowings	5	5	--	--	--
Total Contractual	$ 653	$ 69	$86	$ 56	$442
Unused lines of credit/1/	$ 762	$362	$--	$400	$ --
Standby letters of credit and surety bonds	226	54	77	--	95
Other corporate guarantees	19	2	4	--	13
Other commitments	14	--	10	--	4
Total Commerical	$1,021	$418	$91	$400	$112

/1/ Includes unused bank overdraft facilities and other uncommitted funds of $162 million.

We had debt with scheduled maturities of less than one year of $5 million and $138 million at December 31, 2002 and 2001, respectively. We used a portion of the proceeds from the $300 million senior unsecured notes (as described below), issued in June 2002, to repay short-term debt. The weighted average interest rate for such debt was 5.5% at December 31, 2002 and 3.5% at December 31, 2001. The increase in the weighted average interest rate reflects a reduced borrowing in Japan (which has lower rates) in 2002 versus the prior year. We had long-term debt and notes totaling $306 million and $10 million at December 31, 2002 and 2001, respectively. Material obligations had U.S. dollar-equivalent interest rates ranging from 7.1% to 9.5% with scheduled maturity dates from 2009 to 2020. The scheduled maturities of the outstanding long-term debt and notes during the next five years are $1 million in 2004, with the remainder after 2008.

In October 2002, we renewed a $200 million 364-day unsecured credit facility with a one-year term-out option with a syndicate of financial institutions. The 364-day facility coincides with a $400 million, five-year unsecured revolving credit facility which we entered into in October 2001. The credit facilities contain certain representations and warranties; conditions; affirmative, negative and financial covenants; and events of default customary for such facilities. Interest rates charged on borrowings outstanding under the credit facilities are based on prevailing market rates. No amounts were outstanding under the facilities at December 31, 2002 and 2001.

In June 2002, we issued $300 million of senior unsecured notes due in 2009. The notes were sold privately pursuant to Rule 144A and Regulation S of the Securities Act. The net proceeds from the notes were used to repay a portion of our short-term debt with the remainder available for general corporate purposes. The notes bear interest at an annual rate of 7.125%, which increased 0.25% as of November 4, 2002, and will continue to accrue interest until certain registration requirements are met. This interest is payable semi-annually in arrears on each June 15 and December 15, beginning December 15, 2002, and contain certain covenants typical of this type of debt instrument.

Our cash flows from operations, the credit facilities (existing or future arrangements), the 7.125% senior notes, and other short- and long-term debt financing, will be sufficient to satisfy our future working capital, R&D, capital expenditures and other financing requirements for the foreseeable future. Our ability to generate positive cash flows from operations is dependent on general economic conditions, competitive pressures, and other business and risk factors described below in "Factors That May Affect Future Results." If we are unable to generate sufficient cash flows from operations, or otherwise comply with the terms of our credit facilities and the 7.125% senior notes, we may be required to refinance all or a portion of our existing debt or seek additional financing alternatives.

Our current focus on improving free cash flow, which we define as cash flow from operating activities less capital expenditures for property, plant and equipment, reworkable service parts, and additions to capitalized software, and a continued focus on balance sheet management has increased our ability to generate cash. During 2002, we generated a $167 million free cash flow improvement over 2001, which was primarily driven by improvement in operating activities and a reduction in capital expenditures.

In millions	2002	2001	2000
Net cash provided by operating activities	$ 247	$ 146	$ 171
Less:			
Net expenditures and proceeds for service parts	(113)	(117)	(108)
Expenditures for property, plant and equipment	(81)	(141)	(216)
Additions to capitalized software	(65)	(67)	(67)
Free cash flow	$(12)	$(179)	$(220)

FACTORS THAT AFFECT FUTURE RESULTS

This annual report, including the Shareholder's Letter, and other documents that we file with the Securities and Exchange Commission (SEC), 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, but not limited to, 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.

Economic Pressures Our business is affected by the global economies in which we operate. The recent economic downturn and the subsequent decline in capital spending by many industries, particularly retail and telecommunications, could impact our ability to meet our commitments to customers, the ability of our suppliers to meet their commitments to us, the timing of purchases by our current and potential customers, or the ability of our customers to fulfill their obligations to us on a timely basis. The extent of this impact, if any, is dependent on a number of factors, including the duration and intensity of the downturn, its effect on the markets in general and other general economic and business conditions.

Competition Our ability to compete effectively within the technology industry is critical to our future success. We operate 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. Our competitors include other large, successful companies in the technology industry such as: International Business Machines Corporation (IBM), Oracle Corporation, Diebold, Inc., Dell Computer Corporation, Wincor Nixdorf GmbH & Co., Getronics NV and Unisys Corporation, some of which have widespread penetration of their platforms and service offerings. In addition, we compete with companies in specific markets such as self-check out, electronic shelf labels, entry-level ATMs, payment and imaging, and business consumables and media products.

We offer a broad suite of consulting and support services across our Data Warehousing, Financial Self Service, Retail Store Automation and Payment and Imaging segments. We compete with companies in consulting and support services, and we partner with companies such as Cisco Systems, Dell Computer Corporation and Sun Microsystems to deliver IT infrastructure services solutions and also offer consulting and support services.

Our future competitive performance and market position depend on a number of factors, including our ability to: react to competitive product and pricing pressures; penetrate developing and emerging markets such as India and China in the ATM business; rapidly and continually design, develop and market, or otherwise maintain and introduce, solutions and related products and services for our customers that are competitive in the marketplace; react on a timely basis to shifts in market demands; reduce costs without creating operating inefficiencies; maintain competitive operating margins; improve product and service delivery quality; and market and sell all of our diverse solutions effectively. Our business and operating performance could be impacted by external competitive pressures, such as increasing price erosion, particularly in the industries targeted by our more mature solution offerings such as Retail Store Automation and Financial Self Service Solutions. In addition, our Payment and Imaging segment is shifting from traditional item processing as check volume and the traditional item processing markets are declining and financial institutions are migrating to a digital process with the potential to clear checks electronically.

Our customers finance many of our product sales through third-party financing companies. In case of customer default, these financing companies may be forced to resell this equipment at discounted prices impacting our ability to sell incremental units. The impact of these competitive product and pricing pressures could include lower customer satisfaction, decreased demand for our solutions, loss of market share and reduction of operating profits.

Operating Result Fluctuations Future operating results could 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 and cash flow requirements to vary from quarter to quarter depending on the variability in the volume, timing and mix of product and services sales. In addition, revenue in the third month of each quarter is typically higher than in the first and second months. These factors, among others, make forecasting more difficult and may adversely affect our ability to predict financial results accurately.

Cost/Expense Reductions We are actively working to manage our costs and expenses to continue improving operating profitability without jeopardizing the quality of our products or the efficiencies of our operations. We are also striving to become the leading, low-cost provider of certain Financial Self Service and Retail Store Automation solutions. Our success in achieving targeted cost and expense reductions depends on a number of factors, including our ability to achieve infrastructure rationalizations, drive lower component costs, improve supply chain efficiencies, improve accounts receivable collections, and reduce inventory overhead, among other things. If we do not successfully complete our cost reduction initiatives, our results of operations or financial condition could be adversely affected.

Contractual Obligations of Consulting Services We maintain a professional services consulting workforce to fulfill contracts that we enter into with our customers that may extend to multiple periods. Our profitability may be impacted if we are not able to control costs and maintain utilization rates. Our profitability is largely a function of performing to customer contractual arrangements within the estimated costs to perform these obligations. If we exceed these estimated costs, our profitability under these contracts may be negatively impacted. In addition, if we are not able to maintain appropriate utilization rates for our professionals, we may not be able to sustain our profitability.

Acquisitions and Divestitures As part of our solutions strategy, we intend to continue to selectively acquire and divest technologies, products and businesses. As these activities take place and we begin to include, or exclude as the case may be, the financial results related to these investments could cause our operating results to fluctuate.

Pension Funds Consistent with local competitive practice and regulations, we sponsor pension plans in many of the countries where we do business. A number of these pension plans are supported by pension fund investments which are subject to financial market risk. The liabilities and assets of these plans are reported in our financial statements in accordance with Statement of Financial Accounting Standards SFAS No. 87 (SFAS 87), "Employer's Accounting for Pensions." In conforming to the requirements of SFAS 87, we are required to make a number of actuarial assumptions for each plan, including expected long-term return on plan assets and discount rate. Our future financial results could be materially impacted by changes in these actuarial assumptions, including those described below in our "Critical Accounting Policies and Estimates." Consistent with the requirements of paragraphs 44-45 of SFAS 87, we estimate our discount rate and long-term expected rate of return on assets assumptions on a country-by-country basis after consultation with independent actuarial consultants. We examine interest rate trends within each country, particularly yields on high-quality long-term corporate bonds, to determine our discount rate assumptions. Our long-term expected rate of return on asset assumptions are developed by considering the asset allocation and implementation strategies employed by each pension fund relative to capital market expectations.

Real Estate Our strategy over the past four years with respect to real estate has been to reduce our holdings of excess real estate and to improve liquidity. In line with this strategy, we anticipate the sale of facilities, which may impact net income. We will intensify our actions to reduce the size of our real estate portfolio during the upcoming year.

Multinational Operations Generating substantial revenues from our multinational operations helps to balance our risks and meet our strategic goals. Currently, approximately 57% of our revenues come from outside the United States. 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, deteriorating economic environments or business disruptions due to economic or political uncertainties, and cultural business practices that may be different from U.S. business practices). 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; currency exchange rate fluctuations which could result in lower demand for our products as well as generate currency translation losses; 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; and the impact of civil unrest relating to war and terrorist activity on the economy or markets in general, or on our ability, or that of our suppliers, to meet commitments.

Introduction of New Solutions The solutions we sell are complex, and we need to rapidly and successfully develop and introduce new solutions. We operate in a competitive, rapidly changing environment, and our future business and operating results depend in part on our ability to develop and introduce new solutions that our customers choose to buy. This includes our efforts to rapidly develop and introduce next generation software applications especially for our Data Warehousing business. 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, and 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 could be impacted. Likewise, we sometimes make commitments to customers regarding new technologies, and our results could be impacted if we are unable to deliver such technologies as planned. In addition, if we are unable to successfully market and sell both existing and newly developed solutions, such as our advanced-function ATMs, self-checkout technologies and electronic shelf labels, and transition our Payment and Imaging solutions from traditional item processing to imaging, our business and operating results could 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 remedy errors that we believe would be considered critical by our customers prior to shipment, we may not be able to detect or remedy all such errors, and this could result in lost revenues, delays in customer acceptance and incremental costs, which would all impact our business and 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 and Microsoft Windows NT(R). Certain parts and components used in the manufacture of our ATMs and the delivery of many of our Retail 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, software, services and skills. Many different relationships are formed by these alliances such as outsourcing arrangements to manufacture hardware and subcontract agreements with third parties to perform services and provide products and software to our customers in connection with our solutions. For example, we rely on third parties for cash replenishment services for our ATM products. 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.

Lack of information technology infrastructure, manual processes and data integrity issues of smaller suppliers can also create product time delays, inventory and invoicing problems and staging delays, as well as other operating issues. The failure of third parties to provide high-quality products or services that conform to required specifications or contractual arrangements could impair the delivery of our solutions on a timely basis, create exposure for non-compliance with our contractual commitments to our customers and impact our business and operating results.

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 remain 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 are not able to continue to obtain licenses for such technologies, our business could be impacted. There has been a recent increase in the issuance of software and business method patents and more companies are aggressively enforcing their intellectual property rights. This trend could impact NCR because from time to time we receive notices from third parties regarding patent and other intellectual property claims such as those made by LG Electronics (LGE) as described in Note 11 of Notes to Consolidated Financial Statements. Whether such claims are with or without merit, they may require significant resources to defend. 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.

Work Environment

Restructuring As we discussed above, we are implementing a re-engineering plan to drive operational efficiency throughout our company. In order to drive cost and expense out of our businesses, we are rationalizing our infrastructure through real estate and support cost reductions; simplifying our front- and back-office processes by, for example, standardizing global IT applications and finance and administration processes; reducing our product costs through design and procurement initiatives; and working to lower our cost of services through completion of a global model for such services. In addition to reducing costs and expenses, our plan includes initiatives to grow revenue such as improving sales training, addressing sales territory requirements and focusing on our strong value propositions. If we are not successful in managing the required changes to implement this plan, in particular those related to changing our internal processes, our business and operating results could be impacted.

Employees Our employees are vital to our success. 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 and our current re-engineering efforts may adversely impact our workforce. If we are not able to attract or retain highly qualified employees by offering competitive compensation, secure work environments and leadership opportunities now and in the future, our business and operating results could be impacted.

Internal Controls / Accounting Policies and Practices Our internal controls, accounting policies and practices, and internal information systems enable us to capture and process transactions in a timely and accurate manner in compliance with GAAP, laws and regulations, taxation requirements and federal securities laws and regulations. While we believe these controls, policies, practices and systems are adequate to ensure data integrity, unanticipated and unauthorized actions of employees (both domestic and international) or temporary lapses in internal controls due to resource constraints could lead to improprieties that could impact our financial condition or results of operations.

Information Systems It is periodically necessary to replace, upgrade or modify our internal information systems. If we are unable to replace, upgrade or modify such systems in a timely and cost effective manner, especially in light of strains on our information technology resources, our ability to capture and process financial transactions and therefore our financial condition or results of operation may be impacted.

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 making 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 and control procedures, 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. Further, we may not achieve the projected synergies once we have integrated the business into our operations.

It is our policy not to discuss or comment upon negotiations regarding such business combinations or divestitures unless they are material and 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.

Environmental Our historical and ongoing manufacturing activities subject us to environmental exposures. Our facilities and operations are subject to a wide range of environmental protection laws, and we have investigatory and remedial activities underway at a number of facilities that we currently own or operate, or formerly owned or operated, to comply, or to determine compliance, with such laws. Given the uncertainties inherent in such activities, there can be no assurances that the costs required to comply with applicable environmental laws will not impact future operating results.

We have also been identified as a potentially responsible party in connection with certain environmental matters, including the Fox River matter, as further described in "Environmental Matters" under Note 11 of Notes to Consolidated Financial Statements and in the "Critical Accounting Policies and Estimates" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations, and we incorporate such disclosures by reference and make them a part of this risk factor. As described in more detail in such disclosures, we maintain an accrual for our potential liability on the Fox River matter which represents certain critical estimates and judgments made by us regarding our potential liability; however, both the ultimate costs associated with the Fox River site and our share of those costs are subject to a wide range of potential outcomes.

Contingencies Like other technology companies, we face uncertainties with regard to regulations, lawsuits and other related matters. In the normal course of business, we are subject to proceedings, lawsuits, claims and other matters, including those that relate to the environment, health and safety, employee benefits, export compliance, intellectual property and other regulatory compliance and general matters. Because such matters are subject to many uncertainties, their outcomes are not predictable. While we believe that amounts provided in our consolidated financial statements are currently adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to satisfy alleged liabilities from such matters will not impact future operating results. Additionally, we are subject to diverse and complex laws and regulations, including those relating to corporate governance, public disclosure and reporting, which are rapidly changing and subject to many possible changes in the future. Although we do not believe that recent regulatory and legal initiatives will result in significant changes to our internal practices or our operations, rapid changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax interpretations), and federal securities laws and regulations, among others, may substantially increase costs to our organization and could impact our future operating results.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are prepared in accordance with GAAP. In connection with the preparation of these financial statements, we are required to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and the related disclosure of contingent liabilities. These assumptions, estimates and judgments are based on historical experience and assumptions that are believed to be reasonable at the time. However, because future events and their effects cannot be determined with certainty, the determination of estimates requires the exercise of judgment. Our critical accounting policies are those which require assumptions to be made about matters that are highly uncertain. Different estimates could have a material impact on our financial results. Judgments and uncertainties affecting the application of these policies and estimates may result in materially different amounts being reported under different conditions or circumstances. Our management continually reviews these estimates and assumptions to ensure that our financial statements are presented fairly and are materially correct.

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require significant management judgment in its application. There are also areas in which management's judgment in selecting among available alternatives would not produce a materially different result. The significant accounting policies and estimates that we believe are the most critical to aid in fully understanding and evaluating our reported financial results are discussed in the paragraphs below. Our senior management has reviewed these critical accounting policies and related disclosures with our independent auditors and the Audit Committee of our Board of Directors (see Note 1 of Notes to Consolidated Financial Statements, which contains additional information regarding our accounting policies and other disclosures required by GAAP).

Revenue Recognition We are a solutions company which provides our customers with computer hardware, software, professional consulting services and customer support services. Consistent with other companies that provide similar solution offerings, revenue recognition is often complex and subject to multiple accounting pronouncements including Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements," Statement of Position No. 97-2 (SOP 97-2), "Software Revenue Recognition," and related interpretations.

In general, we consider revenue realized, or realizable, and earned when persuasive evidence of an arrangement exists, the products or services have been provided to the customer, the sales price is fixed or determinable and collectibility is reasonably assured. This policy is consistently applied to all of our operating segments.

Hardware and software revenue is recognized upon shipment, delivery, installation or customer acceptance of the product, as defined in the customer contract. Generally, we do not sell our software products without the related hardware as our software products are embedded in the hardware we sell. Our typical solution requires no significant production, modification or customization of the software or hardware that is essential to the functionality of the products other than installation for our more complex solutions. For these complex solutions, revenue is deferred until all customer contractual obligations have been met.

Our sales arrangements often include support services in addition to hardware and software. These services could include hardware and software maintenance, upgrade rights, customer support and professional consulting services. For sales arrangements that include bundled hardware, software and services, we account for any undelivered service offering as a separate element of a multiple-element arrangement. These services are typically not required to operate the hardware and software. Revenue deferred for services is determined based upon vendor-specific objective evidence of the fair value of the elements as prescribed in SOP 97-2. For these services, revenue is typically recognized ratably over the period benefited or when the services are complete. If the services are essential to the functionality of the hardware and software, revenue from the hardware and software components is deferred until the essential services are complete.

Revenue recognition for complex contractual arrangements require a greater degree of judgment, including a review of specific contracts, past experience, credit-worthiness of customers, international laws and other factors. Changes in judgments about these factors could impact the timing and amount of revenue recognized between periods.

Allowance for Doubtful Accounts We evaluate the collectibility of our accounts receivable based on a number of factors. We establish provisions for doubtful accounts using percentages of our accounts receivable balances as an overall proxy to reflect historical average credit losses and provision for known issues. These percentages are applied to aged accounts receivable balances. Aged accounts are determined based on the number of days the receivable is outstanding, measured from the date of the invoice, or from the date on which payment is due. As the age of the receivable increases, the provision percentage also increases. This policy is applied to all of our operating segments.

Based on the factors below, we periodically review customer account activity in order to assess the adequacy of the allowances provided for potential losses. Factors considered include economic conditions and each customer's payment history and credit worthiness. Judgment is used to assess the collectibility of account balances, and the credit worthiness of a customer.

The Allowance for Doubtful Accounts for the periods ended December 31 was $25 million in 2002, $54 million in 2001 and $24 million in 2000. These allowances represent 2.0%, 4.6% and 1.8% of gross receivables for 2002, 2001 and 2000, respectively. The increase in the allowance for doubtful accounts between 2001 and 2000 represents a $39 million provision for uncollectible loans and receivables related to CCC. Although no near-term changes are expected, unforeseen changes to future allowance percentages could materially impact overall financial results.

Given our experience, we believe that the reserves for potential losses are adequate, but if one or more of our larger customers were to default on its obligations, we could be exposed to potentially significant losses in excess of the provisions established. If economic conditions worsen, impacting our customers' ability to pay, we may increase our reserves for doubtful accounts.

Inventory Valuation Inventories are stated at lower of cost or market. Each quarter, our business segments reassess raw materials, work-in-process, parts and finished equipment inventory average costs for purchase or usage variances from standards and valuation adjustments are made. Additionally, to properly provide for potential exposure due to slow moving, excess, obsolete or unusable inventory, a reserve against inventory is established. This reserve is established based on forecasted usage, orders, technological obsolescence and inventory aging. These factors are impacted by market conditions, technology changes, and changes in strategic direction, and require estimates and management judgment that may include elements that are uncertain. On a quarterly basis, we review the current market value of inventory and require each business segment to ensure that inventory balances are adjusted for any inventory exposure due to age or excess of cost over market value.

We have inventory in more than 40 countries around the world. We transfer inventory from our plants to our distribution and sales organizations. This inventory is transferred at cost plus mark-up. This mark-up is referred to as inter-company profit. Each quarter we review our inventory levels and analyze our inter-company profit for each of our segments to determine the amount of inter-company profit to eliminate. Key assumptions are made to estimate product gross margins, the product mix of existing inventory balances and current period shipments. Over time, we refine these estimates as facts and circumstances allow. If our estimates require refinement our results could be impacted.

Our inventory reserve balances of $66 million, $54 million and $54 million as of December 31, 2002, 2001 and 2000 represent 20.2%, 16.2% and 15.8% of our gross inventory balances for each period. Although we strive to achieve a balance between market demands and risk of inventory excess or obsolescence caused by these factors, it is possible that, should conditions change, additional reserves may be needed. Any changes in reserves will impact operating income during a given period. This policy is consistently applied to all of our operating segments and we do not anticipate any changes to our policy in the near term.

Warranty Reserves One of our key strategies is to provide superior quality products and services. To that end, we provide a standard manufacturer's warranty extending up to 12 months such that, should products under warranty require repair, no additional cost of that repair will be charged to our customers. A corresponding estimated liability for potential warranty costs is also recorded at the time of the sale. We sometimes offer extended warranties to our customers for purchase. We defer the fair value of these revenues and recognize revenue over the life of the warranty. This impacts all segments of our business except for the "Other" segment where minimal warranty, if any, is offered.

Future warranty obligation costs are based upon historic factors such as labor rates, average repair time, travel time, number of service calls per machine and cost of replacement parts. Each segment consummating a sale recognizes the total customer revenue and records the associated warranty liability based upon the pre-established warranty percentages for that product class.

Total warranty costs for the period ended December 31, 2002 were $16 million, $18 million in 2001 and $24 million in 2000, representing 0.6%, 0.6% and 0.8% of total product revenues in the respective periods. Historically the principal factor used to estimate our warranty costs has been service calls per machine. Significant changes in this factor could result in actual warranty costs differing from accrued estimates. Although no near-term changes in our estimated warranty reserves are currently anticipated, in the unlikely event of a significant increase in warranty claims by one or more of our larger customers, costs to fulfill warranty obligations would be higher than provisioned, thereby impacting results.

Pension, Postretirement and Postemployment Benefits We account for defined benefit pension plans in accordance with SFAS 87 which requires that amounts recognized in financial statements be determined on an actuarial basis. Our postretirement plans are accounted for in accordance with Statement of Financial Accounting Standards No. 106 (SFAS 106), "Employers' Accounting for Postretirement Benefits Other Than Pensions," and our postemployment plans are accounted for in accordance with Statement of Financial Accounting Standards No.

112 (SFAS 112), "Employers' Accounting for Postemployment Benefits." We have significant pension, postretirement and postemployment benefit costs and credits, which are developed from actuarial valuations. Actuarial assumptions attempt to anticipate future events and are used in calculating the expense and liability relating

to these plans. These factors include assumptions we make about interest rates, expected investment return on plan assets, rate of increase in health care costs, total and involuntary turnover rates, and rates of future compensation increases. In addition, our actuarial consultants also use subjective factors such as withdrawal rates and mortality rates to develop our valuations. We generally review and update these assumptions on an annual basis at the beginning of each fiscal year. We are required to consider current market conditions, including changes in interest rates, in making these assumptions. The actuarial assumptions that we use may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of pension, postretirement or postemployment benefits expense we have recorded or may record. Postretirement and postemployment expenses impact all of our segments, while pension income is reported at the corporate level.

The key assumptions used in developing our 2002 pension and postretirement plan expense were the discount rate of 7.25% and expected return on assets assumption of 10% for our U.S. plans which represents 69% and 100% of pension and postretirement plan obligations, respectively. Holding all other assumptions constant, a 0.25% change in the discount rate used for the U.S. plan would have increased or decreased pre-tax 2002 income by approximately $2 million. Likewise, a 0.25% change in the expected rate of return on plan assets assumption would have increased or decreased pre-tax 2002 income by approximately $7 million. Our expected return on plan assets has historically been and will likely continue to be material to operating and net income. While it is required that we review our actuarial assumptions each year at the measurement date, we generally do not change them between measurement dates. We use a measurement date of December 31, for all of our plans. In determining 2003 pension and postretirement expense for the U.S. plans, we intend to use a discount rate of 6.75% and an expected rate of return on assets assumption of 8.5%. The most significant assumption used in developing our 2002 postemployment plan expense was the assumed rate of involuntary turnover of 4%. The involuntary turnover rate is based on historical trends and projections of involuntary turnover in the future. Our historical assumption has been 3.5%; however, due to reengineering activities that increased our recent involuntary turnover rate and our projection of involuntary turnover, we raised our rate to 4%. A 0.25% change in the rate of involuntary turnover would have increased or decreased pre-tax 2002 expense by approximately $4 million.

Environmental and Legal Contingencies Each quarter, we review the status of each claim and legal proceeding and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss, in accordance with Statement of Financial Accounting Standards No. 5 (SFAS 5), "Accounting for Contingencies." To the extent the amount of a probable loss is estimable only by reference to a range of equally probable outcomes, and no amount within the range appears to be a better estimate than any other amount, we accrue for the low end of the range. Because of uncertainties related to these matters, the use of estimates, assumptions, judgments and external factors beyond our control, accruals are based on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Such revisions in the estimates of the potential liabilities could have a material impact on our results of operations and financial position. When insurance carriers or third-parties have agreed to pay any amounts related to costs, and we believe that it is probable that we can collect such amounts, those amounts would be reflected as receivables in our consolidated financial statements.

The most significant legal contingency impacting our company relates to the Fox River matter, which is further described in detail in Note 11 of Notes to Consolidated Financial Statements. This matter impacts our company overall and does not affect the financial results of any one of its segments. As described in Note 11, NCR was identified as a potentially responsible party (PRP) at the Fox River site in Wisconsin, because of polychlorinated biphenyl (PCB) discharges from two carbonless paper manufacturing facilities previously owned by NCR located along the Fox River. Some parties contend that NCR is also responsible for PCB discharges from paper mills owned by other companies because carbonless paper manufactured by NCR was purchased by those mills as a raw material for their paper making processes. NCR sold the facilities in 1978 to the present owner, Appleton Papers Inc. (API), which has also been identified as a PRP. The other Fox River PRPs include P.H. Glatfelter Company, Georgia Pacific (formerly Fort James), WTM1 Co. (formerly Wisconsin Tissue, now owned by Chesapeake Corporation), Riverside Paper Corporation, and U.S. Paper Mills Corp. (owned by Sonoco Products Company).

As of the end of 2002, our reserve for the Fox River matter was approximately $56 million. In 2001, we increased our reserve to account for the government's proposed clean-up plan, which included certain estimates regarding the total clean-up costs associated with the Fox River, among other things. We regularly re-evaluate the assumptions we use in determining the appropriate reserve for the Fox River matter as additional information becomes available and, when warranted, make appropriate adjustments.

The extent of our potential liability has been highly uncertain and continues to be so at this time. Our eventual liability - which we expect will be paid out over the next 20-40 or more years - will depend on a number of factors. In general, these factors include: (1) the total clean-up costs for the site; (2) the total natural resource damages for the site; (3) the share NCR and API will jointly bear of the total clean-up costs and natural resource damages; as former and current owners of paper manufacturing facilities along the Fox River (4) the share NCR will bear of the joint NCR/API payments for clean-up costs and natural resource damages; and (5) our transaction costs to defend our company in this matter. In setting our reserve, we have attempted to estimate a range of reasonably possible outcomes for each of these factors, although each range is itself highly uncertain. We use our best estimate within the range if that is possible. Where there is a range of equally probable outcomes, and there is no amount within that range that appears to be a better estimate than any other amount, we use the low-end of the range. Each of these factors is discussed below:

- For the first factor described above, total clean-up costs for the site, we determined that there is a range of equally probable outcomes, and that no estimate within that range was better than the other estimates. Accordingly, we used the low-end of that range, which was the government's estimate of the clean-up costs as set forth in the proposed clean-up plan. This amount was $370 million; however there can be no assurances that this amount will not be significantly higher. For example, one consultant has expressed an opinion that total clean-up costs for the site could be approximately $1.1 billion. In relying on the government estimates for clean-up costs, we assumed that neither the amount of dredging undertaken nor the cost per cubic yard of the dredging will vary significantly from the amounts contained in the proposed plan. The goverment's final clean-up plan for the first two areas of the Fox River that was released in January 2003 is generally consistent with the estimates for the corresponding portions of its proposed plan.

- Second, for total natural resource damages, we also determined that there is a range of equally probable outcomes, and that no estimate within that range was better than the other estimates. Accordingly, we used the low-end of that range, which was the lowest estimate in a 2000 government report on natural resource damages. This amount was $176 million.

- Third, for the NCR/API share of clean-up costs and natural resource damages, we examined figures developed by several independent, nationally-recognized engineering and paper-industry experts, along with those set forth in draft government reports. Again, we determined that there is a range of equally probable outcomes, and that no estimate within that range was better than the other estimates. Accordingly, we used the low-end of that range, which was primarily an estimate of the joint NCR/API percentage of direct discharges of PCBs to the river.

- Fourth, for our share of the joint NCR/API payments, we estimated we would pay approximately half of the total costs jointly attributable to NCR/API. This is based on a sharing agreement between us and API, the terms of which are confidential. This factor assumes that API is able to pay its share of the NCR/API joint share.

- Finally, for our transaction costs to defend this matter, we estimated the costs we are likely to incur over the four-year period covered by the NCR/API interim settlement with the government (which is described below). This estimate is based on our costs since this matter first arose in 1995 and estimates of what our defense costs will be in the future.

We do not expect there to be any significant near-term changes to any of the above-described assumptions that are likely to have a material effect on the amount of our accrual. However, there are other estimates for each of these factors which are significantly higher than the estimates described above. We believe there is such uncertainty surrounding these estimates that we cannot quantify the high-end of the range of such estimates. In any event, assuming, for example, that the above described assumptions are each doubled, our payments for the potential liabilities for the Fox River matter would be approximately $255 million (to be paid out over the next 20-40 or more years). AT&T Corp. and Lucent Technologies, Inc. are jointly responsible for indemnifying us for a portion of amounts incurred by our company over a certain threshold, and the $255 million estimate assumes they will make such payments. If we were in fact required to pay an amount such as $255 million for NCR's share of the Fox River liabilities, it would have a minimal impact on our liquidity and capital resources, assuming that such amount was required to be paid over the time frame currently contemplated. However, if such an amount were required to be paid in a shorter time period, it could have a material impact on our liquidity or capital resources.

We have discussed above our overall, long-term exposure to the Fox River liability. However, as described in Note 11 of Notes to Consolidated Financial Statements, we also have limited short-term liability for this matter. In December 2001, NCR and API entered into an interim settlement with the governmental agencies that limits NCR/API's joint cash payouts to $10.375 million per year over a four-year period beginning at the time of such interim settlement. Any portion of an annual $10.375 million installment not paid out in a given year will be rolled over and made available for payment during subsequent years up until December 10, 2005. These payments are being shared by us and API under the terms of the confidential settlement agreement discussed above and will be credited against our long-term exposure for this matter.

Investment in Marketable Securities We typically classify our marketable securities as available-for-sale and account for them at fair value with net unrealized gains or losses reported, net-of-tax, within stockholders' equity. If a decline in the fair value of a marketable security is deemed by us to be other than temporary, the cost basis of the investment is written down to estimated fair value, and the amount of the write-down is included in the determination of income. The determination of whether a decline in the fair market value is to be other than temporary requires a significant amount of judgment and is based on historical experience and upon information available to us at the time. However, because future events relating to marketable securities cannot be determined with absolute certainty, our decision to recognize a loss may be premature or we may fail to a make a timely adjustment, impacting future earnings. During the fourth quarter of 2002, we recognized a pre-tax loss of $14 million for investments in marketable securities in Japan. Currently, we do not anticipate any near-term changes in the fair market value of our marketable securities and any changes in the fair market value would be immaterial.

Income Taxes We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes," which recognizes deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. The deferred tax assets and liabilities are determined based on the enacted tax rates expected to apply in the periods in which the deferred tax assets or liabilities are expected to be settled or realized.

We regularly review our deferred tax assets for recoverability and establish a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The determination as to whether a deferred tax asset will be realized is made on a jurisdictional basis and is based on the evaluation of positive and negative evidence. This evidence includes historical taxable income, projected future taxable income, the expected timing of the reversal of existing temporary differences and the implementation of tax planning strategies. Projected future taxable income is based on our expected results and assumptions as to which jurisdiction the income will be earned. The expected timing of the reversals of existing temporary differences is based on current tax law and our tax methods of accounting. We also review our liabilities under SFAS No. 5 which requires an accrual for estimated losses when it is probable that a liability has been incurred and the amount can be reasonably estimated. These projections and estimates may change in the future as actual results become known.

If we are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or the time period within which the underlying temporary differences become taxable or deductible, or if the tax laws change unfavorably, then we could be required to increase our valuation allowance against our deferred tax assets, resulting in an increase in our effective tax rate. The impact to our effective tax rate would be an increase of one percentage point for each increase of $1 million to the valuation allowance as of December 31, 2002.

We have a valuation allowance of $357 million as of December 31, 2002 related to certain deferred income tax assets, primarily tax loss carryforwards, in jurisdictions where there is uncertainty as to ultimate realization of a benefit from those tax assets. As of December 31, 2001, the valuation allowance was $281 million.

Impairment of Long-Lived Assets In accordance with Statement of Financial Accounting Standards No. 144 (SFAS 144), "Accounting for the Impairment or Disposal of Long-Lived Assets," long-lived assets to be held and used are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. We determine the fair value of these assets based upon estimates of future cash flows, market value of similar assets, if available, or independent appraisals, if required. In analyzing the fair value and recoverability using future cash flows, we make projections based on a number of assumptions and estimates of growth rates, future economic conditions, assignment of discount rates and estimates of terminal values. An impairment loss is recognized if the carrying amount of the long-lived asset is not recoverable from its undiscounted cash flows. The measurement of impairment loss is the difference between the carrying amount and fair value of the asset. This policy is applied to all of our segments. Long-lived assets to be disposed of and/or held for sale are reported at the lower of carrying amount or fair value less cost to sell. We determine the fair value of these assets in the same manner as described for assets held and used.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 (SFAS 141), "Business Combinations" and SFAS 142 in June 2001. SFAS 141 specifies criteria that intangible assets acquired in a purchase method business combination must be recognized and reported apart from goodwill. SFAS 142 requires that goodwill no longer be amortized, but instead be tested for impairment at least annually. SFAS 142 also requires intangible assets with definite useful lives to continue to be amortized over their respective useful lives and be tested for impairment whenever events and circumstances indicate that the carrying amount may not be recoverable. Indefinite life intangible assets must be tested annually to determine whether events or circumstances continue to support the indefinite useful life. If the intangible asset is subsequently determined to have a finite useful life, the asset shall be tested for impairment in accordance with SFAS 144. Similar to goodwill, the assessment of impairment for intangible assets requires estimates of future cash flows. To the extent the carrying value of the assets exceed their fair value, an impairment loss would be recorded. See Note 5 of Notes to Consolidated Financial Statements for our disclosure regarding intangible assets and goodwill.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

A discussion of recently issued accounting pronouncements is described in Note 1 of Notes to 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 hereof.

Item 7.(a) QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 and mitigate the impact of currency fluctuations on the operations of our foreign subsidiaries, we hedge our main transactional exposures through the use of foreign exchange forward contracts and options. This is primarily done through the hedging of foreign-currency-denominated inter-company inventory purchases by the marketing units and of foreign-currency-denominated inventory sales by the manufacturing units, and of certain financing transactions that are firmly committed or forecasted. These foreign exchange contracts are designated as cash flow hedges, and the gains or losses are deferred in other comprehensive income and recognized in the determination of income when the underlying hedged transaction impacts earnings. As we hedge inventory purchases, the ultimate gain or loss from the derivative contract is recorded in cost of sales when the inventory is sold to an unrelated third party.

Our strategy is to hedge, on behalf of each subsidiary, our non-functional currency denominated cash flows for a period of up to 12 months. In this way, much of the impact of currency fluctuations on non-functional currency denominated transactions (and hence on subsidiary operating income as stated in the functional currency) is mitigated in the near term. In the longer-term (longer than the hedging period of up to 12 months) the subsidiaries are still subject to the impacts of foreign currency fluctuations. In addition, the subsidiary results are still subject to any impact of translating the functional currency results to U.S. dollars. When hedging certain foreign currency transactions of a long-term investment nature (net investments in foreign operations), 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 firmly committed or forecasted 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. A 10% appreciation in the value of the U.S. dollar against foreign currencies from the prevailing market rates would result in a $7 million increase or a $41 million increase in the fair value of the hedge portfolio as of December 31, 2002 and 2001, respectively. Conversely, a 10% depreciation of the U.S. dollar against foreign currencies from the prevailing market rates would result in a $7 million decrease or a $9 million decrease in the fair value of the hedge portfolio as of December 31, 2002 and 2001, respectively.

The interest rate risk associated with our borrowing and investing activities at December 31, 2002, was not material in relation to our consolidated financial position, results of operations or cash flows. Historically, we have not used derivative financial instruments to alter the interest rate characteristics of our investment holdings or debt instruments but could do so in the future.

We utilize non-exchange traded financial instruments such as foreign exchange forward contracts and options that we purchase exclusively from highly-rated financial institutions. Additionally, we utilize put option contracts that are not exchange traded as described in Note 8 of Notes to Consolidated Financial Statements. With respect to foreign exchange contracts, we record these on our balance sheet at fair market value based upon market-price quotations from the financial institutions. We do not enter into non-exchange traded contracts that require the use of fair value estimation techniques, but if we did, they could have a material impact on our financial results. Also, we do not enter into hedges for speculative purposes.

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 for which we do not require collateral, and if one or more of those customers were to default on its obligations under applicable contractual arrangements, we could be exposed to potentially significant losses. Moreover, the continued downturn in the global economy could have an adverse impact on the ability of our customers to pay their obligations on a timely basis. However, we believe that the reserves for potential losses are adequate. At December 31, 2002 and 2001, we did not have any major concentration of credit risk related to financial instruments.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of NCR, the notes to such financial statements, the report of PricewaterhouseCoopers LLP dated January 20, 2003 and the selected financial data as included in NCR's 2002 Annual Report to Stockholders, are incorporated herein by reference.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING FINANCIAL DISLCOSURE

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Most of the information required by this Item with respect to directors of NCR is included on pages 7-8 of NCR's Proxy Statement, dated March 13, 2003, and is incorporated herein by reference. In addition, the following information is provided with respect to Mr. Robbins, an NCR director who has chosen not to stand for re-election at the Company's 2003 Annual Meeting of Stockholders:

James O. Robbins, 60, has served as President and Chief Executive Officer of Cox Communications, Inc., a broadband communications company, since 1994. He was President of the Cable Division of Cox Enterprises, Inc., from 1985 to 1994. Mr. Robbins is a director of Cox Communications, Inc., and serves on the Advisory Board of Forstmann Little and Co. and as a trustee of STI Classic Funds and STI Classic Variable Trust. He became a director of NCR on January 1, 1997.

Information regarding Executive Officers is furnished in a separate disclosure in Part I of this report because the Company did not furnish such information in its definitive proxy statement prepared in accordance with Schedule 14A.

Information regarding Section 16(a) beneficial ownership reporting compliance of the Company's executive officers and directors is included in the material captioned "Section 16(a) Beneficial Ownership Reporting Compliance" on page 12 of NCR's Proxy Statement, dated March 13, 2003, and is incorporated herein by reference.

Information regarding NCR's determination of an "audit committee financial expert" is included in the material captioned "Committees of the Board" on page 10 of NCR's Proxy Statement, dated March 13, 2003, and is incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION

The information regarding the Company's compensation of its named executive officers is included in the material captioned "Executive Compensation" on pages 14-21 of NCR's Proxy Statement, dated March 13, 2003, and is incorporated herein by reference. The information regarding the Company's compensation of its directors is included in the material captioned "Compensation of Directors" on pages 11-12 of NCR's Proxy Statement, dated March 13, 2003, and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding security ownership of certain beneficial owners and management is included in the material captioned "Stock Ownership" on pages 4-5 of NCR's Proxy Statement, dated March 13, 2003, and is incorporated herein by reference.

The table below shows a high-level summary of aggregate equity compensation plans:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a) (c)
Equity compensation plans approved by security holders :			
Management Stock Option Plans 1.	16,375,782	$38.21	8,827,204
Worldshares Stock Option Plan 2.	0	0	4,794,054
Equity compensation plans not approved by security holders:	N/A	N/A	N/A
Total	16,375,782	$38.21	13,621,258

1. The Management Stock Option Plan was adopted with stockholder approval, effective January 1, 1997. The plan contains an evergreen provision that increases each year, the number of shares authorized by 4% of the outstanding shares on the first day of the year for a ten-year term of the plan without the need for additional board approval. There were 25,202,986 shares authorized under the plan at January 1, 2003.

2. The Worldshares Stock Option Plan was adopted with stockholder approval, effective January 1, 1997. There were 6,694,854 shares authorized under the plan at January 1, 2003. NCR granted 3,059,370 million options to substantially all of its employees at December 31, 1996. These options had

a five-year expiration period that ended January 1, 2002. There were 1,900,800 shares exercised under this program, and the remaining 1,158,570 shares were canceled or expired.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

Item 14. CONTROLS AND PROCEUDRES

NCR has established disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934 (the "Exchange Act")) to ensure that information required to be disclosed by NCR in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Based on their evaluation, conducted in February 2003 under their supervision and with the participation of management, the Company's Chief Executive and Chief Financial Officers have concluded that, as of the date of their evaluation, NCR's disclosure controls and procedures are effective, in all material respects, to meet such objective and that NCR's disclosure controls and procedures adequately alert them on a timely basis to material information relating to the Company (including its consolidated subsidiaries) required to be included in NCR's Exchange Act filings.

In addition, there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE, AND REPORTS ON FORM 8-K:

(a) Index

1. Financial Statements: The following consolidated financial statements of the Company and the Report of Independent Accountants and are incorporated by reference in Part II, Item 8:

2. Financial Statement Schedule: Financial Statement Schedule II - Valuation and Qualifying Accounts is included in this Report on Form 10-K. All other schedules are not required under the related instructions or are not applicable.

3. Exhibits: See Index of Exhibits below for a listing of all exhibits to this Report on Form 10-K.

(b) Reports on Form 8-K

1. NCR filed a Current Report on Form 8-K, dated November 13, 2002, which reported under Item 9 of such form the filing on November 12, 2002, of the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2002, accompanied by the Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Messrs. Lars Nyberg and Earl Shanks, Chairman and Chief Executive Officer and Senior Vice President and Chief Financial Officer of the Company, respectively.

2. NCR filed a Current Report on Form 8-K, dated November 27, 2002, which reported under Item 9 of such form the publication on its web page of a supplemental presentation showing restated operating results for each quarter of 2001 and 2002 using a new segment structure.

(c) Exhibits identified in parentheses below, on file with the SEC, are incorporated herein by reference as exhibits hereto.

Exhibit No.	Description
3.1	Articles of Amendment and Restatement of NCR Corporation, as amended May 14, 1999 (Exhibit 3.1 to the NCR Corporation Form 10-Q for the period ended June 30, 1999) and Articles of Amendment and Restatement and Articles Supplementary of NCR Corporation (Exhibit 3.1 to 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 January 22, 2003.
4.1	Common Stock Certificate of NCR Corporation (Exhibit 4.1 to the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 1999 (the "1999 NCR Annual Report")).
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 (Exhibit 4.2 to the 1996 NCR Annual Report).
4.3	NCR Corporation hereby agrees to furnish the Securities and Exchange Commission, upon its request, a copy of any instrument which defines the rights of holders of long-term debt of NCR Corporation and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed, and which does not exceed 10% of the total assets of NCR Corporation and its subsidiaries on a consolidated basis.
4.4	Indenture, dated as of June 1, 2002, between NCR Corporation and The Bank of New York (Exhibit 3.2 to the NCR Corporation Quarterly Report on Form 10-Q for the period ended June 30, 2002 (the "June 30, 2002 Quarterly Report")).
4.5	Registration Rights Agreement, dated June 6, 2002, by and between NCR Corporation and Salomon Smith Barney Inc., Banc One Capital Markets, Inc., BNY Capital Markets, Inc., Fleet Securities, Inc., J.P. Morgan Securities Inc. and McDonald Investments Inc., relating to $300,000,000 principal amount of 7.125% senior Notes due 2009 (Exhibit 4.5 to the June 30, 2002 Quarterly Report).
4.6(a-c)	Terms of 7.125% Senior Notes due 2009, including the form of notes (Exhibit 4.6(a-c) to the June 30, 2002 Quarterly Report).
10.1	Separation and Distribution Agreement, dated as of February 1, 1996 and amended and restated as of March 29, 1996 (Exhibit 10.1 to the Lucent Technologies Inc. Registration Statement on Form S-1 (No. 333-00703) (the "Lucent Registration Statement")).
10.2	Employee Benefits Agreement, dated as of November 20, 1996, by and between AT&T Corp. and NCR Corporation (Exhibit 10.2 to the 1996 NCR Annual Report).
10.3	Patent License Agreement, effective as of March 29, 1996, by and among AT&T Corp., NCR Corporation, and Lucent Technologies Inc. (Exhibit 10.7 to the Lucent Registration Statement).
10.4	Amended and Restated Technology License Agreement, effective as of March 29, 1996, by and among AT&T Corp., NCR Corporation, and Lucent Technologies Inc. (Exhibit 10.8 to the Lucent Registration Statement).
10.5	Tax Sharing Agreement, dated as of February 1, 1996, and amended and restated as of March 29, 1996, by and among AT&T Corp., NCR Corporation, and Lucent Technologies Inc. (Exhibit 10.6 to the Lucent Registration Statement).
10.6	NCR Management Stock Plan (Exhibit 10.8 to the 1996 NCR Annual Report).
10.7	NCR WorldShares Plan (Exhibit 10.9 to the 1996 NCR Annual Report).
10.8.1	The Retirement Plan for Officers of NCR (Exhibit 10.11 to the NCR Corporation Registration Statement on Form 10 (No. 001-00395), dated November 25, 1996 (the "NCR Registration Statement")).
10.8.2	Second Amendment to the Retirement Plan for Officers of NCR Corporation effective January 1, 2001 (Exhibit 10.1 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).
10.8.3	Third Amendment to the Retirement Plan for Officers of NCR Corporation effective June 1, 2002.

(c) Exhibits (continued):

10.9	NCR Officer Plan effective June 1, 2002.
10.10	NCR Change-in-Control Severance Plan for Executive Officers (Exhibit 10.16 to the 1996 NCR Annual Report).
10.11	Change-in-Control Agreement by and between NCR and Lars Nyberg (Exhibit 10.2 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).
10.12.1	NCR Director Compensation Program (Exhibit 10.18 to the 1996 NCR Annual Report).
10.12.2	First Amendment to the NCR Director Compensation Program (Exhibit 10.14.1 to the 1999 NCR Annual Report).
10.12.3	Second Amendment to the NCR Director Compensation Program (Exhibit 10.14.2 to the 1999 NCR Annual Report).
10.13	NCR Management Incentive Program (Exhibit 10.19 to the 1996 Annual Report).
10.14	NCR Supplemental Pension Plan for AT&T Transfers, restated effective January 1, 1997 (Exhibit 10.1 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 (the "March 31, 1998 Quarterly Report")).
10.15.1	NCR Mid-Career Hire Supplemental Pension Plan, restated effective January 1, 1997 (Exhibit 10.2 to the March 31, 1998 Quarterly Report).
10.15.2	Amendment to the Mid-Career Hire Supplemental Pension Plan effective June 1, 2002.
10.16	NCR Nonqualified Excess Plan, restated effective January 1, 1996 (Exhibit 10.3 to the March 31, 1998 Quarterly Report).
10.17	NCR Change-In-Control Severance Plan for Key At-Risk Employees adopted effective January 1, 2003.
10.18.1	Agreement and Plan of Merger by and among NCR Corporation, NCR Merger Sub Inc. and 4Front Technologies, Inc. dated August 2, 2000 (Annex A from the 4Front Technologies, Inc. Notice of Annual Meeting of Stockholders and Proxy Statement dated September 25, 2000).
10.18.2	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 (Exhibit 10.1(b) to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
10.18.3	Second Amendment to Agreement and Plan of Merger by NCR Corporation and NCR Merger Sub Parent, Inc. dated May 1, 2001 (Exhibit 10.1(c) to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 2001).
10.19	Purchase Agreement, dated June 6, 2002, by and between NCR Corporation and Salomon Smith Barney Inc., Banc One Capital Markets, Inc., BNY Capital Markets, Inc., Fleet Securities, Inc., J.P. Morgan Securities Inc. and McDonald Investments Inc., relating to $300,000,000 principal amount of 7.125% Senior Notes due 2009 (Exhibit 10.1 to the June 30, 2002 Quarterly Report).
10.20	Employment Agreement with Lars Nyberg (Exhibit 10.22 to the 1999 NCR Annual Report).
10.21	Amended Letter Agreement with Lars Nyberg dated January 23, 2002 (Exhibit 10.18 to the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 2001).
10.22	Letter Agreement dated October 18, 2000 (Exhibit 10.26 to the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 2000 (the "2000 Annual Report")).
10.23	Letter Agreement dated January 15, 2001 (Exhibit 10.27 to the 2000 Annual Report).
10.24	Letter agreement dated June 18, 2001 (Exhibit 10.2 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 2001).
10.25	Letter agreement effective August 20, 2001 (Exhibit 10.2 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).
10.26	Letter agreement dated September 6, 2002 (Exhibit 10.2 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).

(c) Exhibits (continued):

10.27	Letter agreement dated September 8, 2002 (Exhibit 10.3 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
10.28	Letter agreement dated March 6, 2003.
13	NCR's 2002 Annual Report to Stockholders.
21	Subsidiaries of NCR Corporation.
23.1	Consent of Independent Accountants.
99	Code of Conduct for associates of NCR Corporation.

NCR Corporation

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
(In millions)

Description	Column A Balance at Beginning of Period	Column B Charged to Costs & Expenses	Column C Additions Charged to Other Accounts	Column D Deductions	Column E Balance at End of Period
Year Ended December 31, 2002					
Allowance for doubtful accounts	$ 54	$ 7	$ --	$36	$ 25
Deferred tax asset valuation allowance	281	76	--	--	357
Inventory valuation reserves	50	26	--	25	51
Reserves related to business restructuring	--	8	--	--	8
Year Ended December 31, 2001					
Allowance for doubtful accounts	$ 24	$67	$ --	$37	$ 54
Deferred tax asset valuation allowance	304	--	--	23	281
Inventory valuation reserves	53	25	--	28	50
Year Ended December 31, 2000					
Allowance for doubtful accounts	$ 31	$17	$ --	$24	$ 24
Deferred tax asset valuation allowance	285	--	19	--	304
Inventory valuation reserves	67	27	--	41	53
Reserves related to business restructuring	73	--	(37)	36	--

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders of NCR Corporation:

Our audits of the consolidated financial statements referred to in our report dated January 20, 2003, appearing in the 2002 Annual Report to Stockholders of NCR Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
Dayton, Ohio
January 20, 2003

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: March 13, 2003

By:

/s/ Earl Shanks

Earl Shanks
Chief Financial Officer and
Senior Vice President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title
/s/ Lars Nyberg Lars Nyberg	Chairman of the Board, Chief Executive Officer and President
/s/ Earl Shanks Earl Shanks	Chief Financial Officer and Senior Vice President (Principal Financial and Accounting Officer)
/s/ Edward P. Boykin Edward P. Boykin	Director
/s/ Mark P. Frissora Mark P. Frissora	Director
/s/ David R. Holmes David R. Holmes	Director
/s/ Linda Fayne Levinson Linda Fayne Levinson	Director
/s/ James R. Long James R. Long	Director
/s/ C.K. Prahalad C.K. Prahalad	Director
/s/ James O. Robbins James O. Robbins	Director
/s/ William S. Stavropoulos William S. Stavropoulos	Director

Date: March 13, 2003

CERTIFICATIONS

I, Lars Nyberg, certify that:

1. I have reviewed this annual report on Form 10-K of NCR Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 13, 2003

/s/ Lars Nyberg

Lars Nyberg
Chairman of the Board,
Chief Executive Officer and President

I, Earl Shanks, certify that:

1. I have reviewed this annual report on Form 10-K of NCR Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    d) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    e) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    f) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    c) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    d) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 13, 2003

/s/ Earl Shanks

Earl Shanks
Senior Vice President
and Chief Financial Officer

EXHIBIT 3.2

NCR CORPORATION

BYLAWS

AS AMENDED AND RESTATED ON JANUARY 22, 2003

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 of the Board, and on not less than 48 hours' notice, given in such manner as the Board of Directors or the Chairman of the Board 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 Committee

Section 3. The Board of Directors may elect an Audit Committee consisting of three or more Directors. The Board of Directors shall appoint one of the members of the Audit Committee to the office of Chairman of the Audit Committee. The Chairman and other members of the Audit 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 Committee or in the office of Chairman of the Audit 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 and Governance

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

Chairman of the Board / 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. The Board of Directors shall select a presiding director who, 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.

EXHIBIT 10.8.3

THIRD AMENDMENT TO THE RETIREMENT PLAN FOR OFFICERS OF NCR

AMENDMENT TO THE RETIREMENT PLAN FOR OFFICERS OF NCR (the "Plan") as restated and in effect January 1, 1997 by NCR Corporation ("NCR").

WHEREAS, the Plan was amended and restated effective January 1, 1997, amended by a First Amendment executed August 15, 1997 and a Second Amendment executed October 24, 2001; and

WHEREAS, NCR desires to amend the Plan to admit no new participants to the Plan;

NOW, THEREFORE, NCR does hereby amend the Plan, effective June 1, 2002, as follows:

1. ARTICLE V is hereby amended by the addition of the following new paragraph:

Notwithstanding the above, effective June 1, 2002, no new participants will be admitted to the Plan.

IN WITNESS WHEREOF, NCR has caused this amendment to the Plan to be executed this 31st day of July, 2002.

FOR NCR CORPORATION

By: /s/ Wilbert Buiter
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Wilbert Buiter
Senior Vice President, Human Resources

EXHIBIT 10.9

NCR OFFICER PLAN

Effective June 1, 2002

PREAMBLE

NCR Corporation (the "Company") adopts this NCR Officer Plan (the "Plan") effective as of June 1, 2002, to assist in attracting and retaining highly qualified candidates to fill key positions, by providing a nonqualified supplemental pension that assures that the total package of retirement benefits received by a participant with respect to years served in a Band I or Band II position equals 1.75% of the average salary received while serving in such positions.

The terms of the Plan were approved by the Compensation Committee of the NCR Board of Directors at a meeting on April 23, 2002, and the Senior Vice President, Human Resources was authorized and directed to prepare and execute a plan document providing for the Plan.

NCR OFFICER PLAN

ARTICLE I

Definitions

Wherever used herein, the following terms have the meanings indicated:

1.1 "Board of Directors" means the Board of Directors of NCR Corporation.

1.2 "Code" means the Internal Revenue Code of 1986, as amended.

1.3 "Committee" means the Compensation Committee of the Board of Directors.

1.4 "Company" means NCR Corporation, a Maryland corporation, and its subsidiaries and affiliates.

1.5 "NCR" means NCR Corporation, and does not include its subsidiaries and affiliates.

1.6 "Participant" means each individual who participates in the Plan in accordance with Article II.

1.7 "Pension Plan" means the NCR Pension Plan, or any successor plan.

1.8 "Plan" means the NCR Officer Plan as set forth in this document, and in any amendments from time to time made hereto.

ARTICLE II

Participation and Vesting

2.1 Participation. An individual becomes a Participant in the Plan if he or she is hired or promoted for the first time by the Company into a Band I position in the United States or internationally, or a Band II position in the United States, on or after June 1, 2002. A non-U.S. citizen in a Band II position who works in the United States for a limited time on an expatriate assignment and remains covered by his or her home country benefit plans will not become a Participant in the Plan, unless such individual applies for permanent residency status (green card) after June 1, 2002, and the green card is approved, and the individual becomes covered by NCR's U.S. benefits. The Committee in its discretion may designate other employees of the Company as Participants in the Plan.

2.2 Vesting. A Participant becomes vested in his or her benefit under the Plan after completing five years of service as an employee of the Company.

2.3 Termination of Participation. Accrual of benefits under the Plan ceases on the earlier of the date on which the Participant terminates employment with the Company or dies, or the date on which the Participant ceases serving in a Band I or Band II position, provided that the Committee, in its discretion, may designate a later date for termination of an individual's participation in the Plan.

2.4 Forfeiture of Benefits. All benefits to which a Participant would otherwise be eligible shall be forfeited if the Participant, during his or her employment with the Company and for a period of eighteen months after termination of employment for any reason, without the prior written consent of the Chief Executive Officer of NCR, (1) renders services directly or indirectly to any Competing Organization (as defined below) involving the development, manufacture, marketing, advertising or servicing of any product, process, system or service upon which the Participant worked or in which the Participant participated during the last three years of employment with the Company, (2) directly or indirectly recruits, hires, solicits or induces, or attempts to induce, any exempt employee of the Company to terminate their employment with or otherwise cease their relationship with the Company, (3) canvasses or solicits business with any firm or company with whom the Participant worked during the preceding five years while employed by the Company, including customers of the Company, or (4) discloses to any third party any Company confidential, technical, marketing, business, financial or other information not publicly available.

"Competing Organization" means an organization identified by the Chief Executive Officer of NCR as a Competing Organization in January of the year in which employment with the Company terminates, and any other person or organization which is engaged in or about to become engaged in research on or development, production, marketing, leasing, selling or servicing of a product, process, system or service which is the same or similar to or competes with a product, process, system or service manufactured, sold, serviced or otherwise provided by the Company to its customers.

All benefits to which a Participant would otherwise be eligible shall also be forfeited if a Participant is terminated by the Company for cause, or is determined by the Board to have engaged in misconduct in connection with the Participant's employment with the Company.

ARTICLE III

Benefits

3.1 Benefit. Each Participant with at least five years of service with the Company shall be entitled to a benefit under this Plan, expressed as a single life annuity payable at age 65, in an annual amount equal to (a) minus (b).

(a) 1.75% of Officer Compensation, multiplied by the years of Officer Service.

(b) The Retirement Offset.

3.2 Definitions.

(a) Officer Compensation. "Officer Compensation" means the average annual compensation earned by the Participant while serving in a Band I or Band II position. For U.S. Participants, "compensation" has the same meaning as the defined term "Compensation" in the Pension Plan, without the exclusion for pay received in the last quarter of employment, and without regard to the dollar limits imposed by the Internal Revenue Code. For non-U.S. Participants, NCR in its discretion shall determine a definition of compensation that is reasonably similar to the definition in the Pension Plan, which shall be the definition of compensation in the Company-sponsored pension plan, if any, in which the Participant participates, if such definition is reasonably similar to the Pension Plan definition.

(b) Officer Service. "Officer Service" means the years and fractional years of service while serving in a Band I or Band II position.

(c) Retirement Offset. The "Retirement Offset" means the annual amount, expressed as a life annuity, of any employer-provided pension paid to a Participant under the Pension Plan or any other defined benefit pension plan of the Company, attributable to the Participant's Officer Service, including any amount payable to a Participant from his or her PensionPlus benefit under the Pension Plan. "Retirement Offset" also includes any annual amount paid to a Participant from the NCR Nonqualified Excess Plan, any other nonqualified or supplemental pension plan funded by the Company (other than the NCR Mid-Career Hire Supplemental Pension Plan), or any long-term disability plan sponsored by the Company. The Retirement Offset does not include amounts payable from a Company-sponsored deferred compensation plan to the extent such amounts represent employee deferred compensation and earnings thereon.

For purposes of determining the Retirement Offset, (1) a cash balance account benefit will be converted to a life annuity using the actuarial assumptions specified in the Pension Plan for converting lump sums to life annuities, (2) the portion of a benefit attributable to years of Officer Service shall be determined by multiplying the total benefit payable from the applicable plan by a fraction, the numerator of which is the years of Officer Service as a participant in the applicable plan, and the denominator of which is all years of service while a participant in the applicable plan, and (3) amounts payable from a Participant's benefit under a Company-sponsored retirement plan to a former spouse will be included in the Retirement Offset.

If a Participant elects to commence the benefit under this Plan prior to commencing benefits under other Company-sponsored retirement plans, the Retirement Offset will be calculated as if benefits commenced under all such plans. In such case, the Retirement Offset shall not be recalculated when benefits under other retirement plans actually commence.

3.3 Reduction for Early Retirement. If a Participant commences his or her benefit prior to age 62, the benefit shall be reduced in accordance with the following table:

Age at Commencement Date	Percentage of Monthly Benefit which shall be paid commencing on the Commencement Date
62 and over	100.0%
61	94%
60	88%
59	82%
58	76%
57	70%
56	64%
55	58%

An adjustment shall be made by straight line interpolation for ages which are not integral. The reduction shall apply after the benefit calculation described in Section 3.1 is completed, including application of the Retirement Offset.

3.4 Death Benefits. If an individual eligible for benefits from this Plan dies before retirement, but after becoming vested in a benefit from this Plan, a death benefit will be paid to the individual's spouse (if any), if the spouse is living at the time the death benefit is to commence. The benefit shall equal the survivor benefit that would have been payable to the spouse from the Plan if the Participant (1) terminated employment with the Company on the date of death, or on the actual date of termination of employment if prior to the date of death, (2) commenced the Plan benefit on the earliest date following the date of death, and (3) selected a 50% joint and survivor annuity. The death benefit shall commence as of the later of the date of the Participant's death or the date the Participant would have attained age 55, and shall be paid as a monthly annuity for the life of the spouse.

ARTICLE IV

Distribution of Benefits

4.1 Form of Distribution. The benefit to which a Participant is entitled from the Plan shall be paid as elected by the Participant, as either a single life annuity, or a 50%, 75% or 100% joint and survivor annuity with the Participant's legal spouse on the date of commencement of benefits as the joint annuitant. If the Participant elects a joint and survivor annuity, the Participant's benefit will be actuarially adjusted using the tables in Appendix A. The actuarial reduction shall apply after the benefit calculation described in Section 3.1 is completed, including application of the Retirement Offset, and after application of the early retirement reduction factor, if applicable.

4.2 Commencement of Benefits. A Participant's benefit from this Plan shall commence on the first of any month after the Participant attains age 55, as elected by the Participant.

4.3 Reemployment. If a Participant commences receiving benefits under this Plan and is subsequently reemployed on a full-time basis by the Company, payments from this Plan shall be permanently suspended during the period of reemployment.

4.4 Currency. All distributions from this Plan will be paid in U.S. currency. Benefits based on non-U.S. compensation will be converted to U.S. currency in accord with NCR policy, as determined by NCR in its sole discretion.

4.5 Lump Sum Distribution. If the actuarial present value of a Participant's benefit at termination of employment is $50,000 or less, the Participant may elect within 90 days to receive the benefit in an immediate single lump sum payment. If the Participant does not so elect within 90 days, the benefit will be paid in annuity form. The actuarial present value will be determined using the actuarial assumptions specified in the Pension Plan for converting life annuities to lump sum benefits.

4.6 Withholdings. NCR shall withhold appropriate FICA and other applicable taxes from distributions under the Plan.

ARTICLE V

Unfunded Nature of the Plan

5.1 Unfunded Plan. This Plan shall be unfunded. The funds used for payment of benefits hereunder and of the expenses of administration hereof shall, until such actual payment, continue to be a part of the general funds of the Company, and no person other than the Company shall, by virtue of this Plan, have any interest in any such funds. Nothing contained herein shall be deemed to create a trust of any kind or create any fiduciary relationship. To the extent that any person acquires a right to receive payments from the Company under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

ARTICLE VI

Administration of the Plan

6.1 Plan Administrator. The Plan shall be administered by NCR. NCR shall have the exclusive authority and responsibility for all matters in connection with the operation and administration of the Plan. NCR shall have all powers necessary or appropriate to carry out its duties, including the discretionary authority to interpret the provisions of the Plan and the facts and circumstances of claims for benefits. NCR's decisions shall be final and binding on all parties.

6.2 Delegation of Administrative Duties. NCR may, from time to time, delegate to any person or persons or organizations any of its rights, powers, and duties with respect to the operation and administration of the Plan.

6.3 Determination of Benefits. In all questions relating to age and service for eligibility for any benefit hereunder, or relating to term of employment and rates of pay for determining benefits, NCR's decisions, based upon this Plan and the Company's records, shall be final and binding.

ARTICLE VII

Amendments and Termination

7.1 Termination. This Plan shall terminate when all benefits payable under the terms of the Plan have been paid. The Compensation Committee or the Board of Directors in its discretion may terminate the Plan at any time, provided, however, that no such action shall adversely affect the right of any Participant or surviving spouse to a benefit to which he or she has become entitled pursuant to this Plan.

7.2 Amendment. The Compensation Committee or the Board of Directors may amend the Plan, provided that no such action shall adversely affect the right of any Participant or surviving spouse to a benefit to which he or she has become entitled pursuant to this Plan.

7.3 Lump Sum Cash-Out. For purposes of this Article VII, a decision by the Compensation Committee or Board of Directors to pay a single lump sum equal to the present value of any annuity payment due under the Plan shall not be construed as adversely affecting the right of a Participant or surviving spouse to a benefit entitlement under the Plan.

ARTICLE VIII

Change-in-Control

8.1 Change-in-Control. In the event of a Change-in-Control, as defined in the NCR Change-in-Control Severance Plan for Executive Officers (the "Change-in-Control Plan") or a successor plan, a Participant whose employment with the Company is terminated involuntarily during the three years following the Change-in-Control will be fully vested under this Plan. If the Change-in-Control Plan terminates before the occurrence of a Change-in-Control, the definition contained therein as of the date of such termination shall govern for purposes of this section.

ARTICLE IX

Miscellaneous

8.1 Governing Law. This Plan shall be governed by the Employee Retirement Income Security Act of 1974 ("ERISA") except as otherwise exempt. To the extent not governed by ERISA, it shall be governed by the laws of the State of Ohio.

8.2 Assignment Prohibited. Assignment, pledge or encumbrance of any kind of benefits under the Plan shall not be permitted or recognized, including assignment of benefits pursuant to a domestic relations order; provided, however, that amounts owed by a Participant to the Company may be collected from benefits otherwise payable from the Plan, in the discretion of NCR.

8.3 Severability. If any provision of this Plan shall be held illegal or invalid for any reason, the remaining provisions shall continue to be fully effective.

8.4 No Additional Rights. Participation in this Plan shall not give to any employee the right to be retained in the employ of the Company nor any right or interest in this Plan other than as herein specifically provided. No employee shall have any right to a benefit under this Plan unless he or she meets the conditions specified in Sections 2.1 and 2.2.

8.5 Expenses. Expenses of the Plan shall be paid by the Company.

8.6 Domestic Partners. If a Participant has a domestic partner who qualifies under the terms of the Pension Plan (or a similar defined benefit plan in a non-U.S. location) as the Participant's joint annuitant or as entitled to death benefits as a surviving spouse, then such domestic partner may be designated by the Participant as joint annuitant under this Plan, or will be entitled to a death benefit under this Plan, as the case may be.

8.6 Facility of Payment. Any payment to a Participant or spouse or domestic partner of a Participant or the legal representative of either, in accordance with the terms of this Plan, shall to the extent thereof be in full satisfaction of all claims such person may have against the Company hereunder, which may require such payee, as a condition to such payment, to execute a receipt and release therefor in such form as shall be determined by NCR.

8.7 Single Benefit Payment. The benefit payable from this Plan and any benefits to which a Participant is entitled from other nonqualified plans sponsored by the Company may be combined and paid by a single check, according to standard payment practices, in the discretion of the Company.

8.8 Exemption From Portions of ERISA. This Plan is intended to qualify for exemption from Parts II, III and IV of the Employee Retirement Income Security Act of 1974 ("ERISA") as a plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees under Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed on this 11th day of February, 2003.

NCR CORPORATION

By: /s/ Wilbert Buiter

Wilbert Buiter
Senior Vice President, Human Resources

APPENDIX A

TABLE 1

Joint and 50% Survivor

This table shows the percentage of the Basic Monthly Benefit payable to the Participant and continuing to his surviving spouse at one-half the rate after his death during the remaining lifetime of such spouse.

Age of Surviving Spouse	Age of Employee															
	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70
70	96.0	95.6	95.1	94.6	94.1	93.5	92.8	92.1	91.3	90.4	89.5	88.5	87.4	86.3	85.1	83.9
69	95.6	95.2	94.7	94.2	93.6	93.0	92.3	91.5	90.7	89.8	88.8	87.8	86.7	85.5	84.3	83.0
68	95.3	94.8	94.3	93.7	93.1	92.4	91.7	90.9	90.0	89.1	88.1	87.0	85.9	84.7	83.4	82.1
67	94.9	94.4	93.9	93.3	92.6	91.9	91.1	90.3	89.4	88.4	87.4	86.3	85.1	83.9	82.6	81.2
66	94.6	94.0	93.5	92.8	92.1	91.4	90.6	89.7	88.8	87.7	86.7	85.5	84.3	83.0	81.7	80.3
65	94.2	93.6	93.0	92.3	91.6	90.8	90.0	89.0	88.1	87.0	85.9	84.8	83.5	82.2	80.9	79.5
64	93.8	93.2	92.5	91.8	91.1	90.3	89.4	88.4	87.4	86.3	85.2	84.0	82.7	81.4	80.0	78.6
63	93.4	92.7	92.1	91.3	90.6	89.7	88.8	87.8	86.8	85.7	84.5	83.3	82.0	80.6	79.2	77.8
62	92.9	92.3	91.6	90.8	90.0	89.1	88.2	87.2	86.1	85.0	83.8	82.6	81.2	79.9	78.4	76.9
61	92.5	91.9	91.1	90.3	89.5	88.6	87.6	86.6	85.5	84.3	83.1	81.8	80.5	79.1	77.6	76.2
60	92.1	91.4	90.7	89.8	89.0	88.0	87.0	86.0	84.8	83.6	82.4	81.1	79.8	78.3	76.9	75.4
59	91.7	91.0	90.2	89.3	88.4	87.5	86.4	85.4	84.2	83.0	81.7	80.4	79.1	77.6	76.1	74.6
58	91.2	90.5	89.7	88.8	87.9	86.9	85.9	84.8	83.6	82.4	81.0	79.8	78.4	76.9	75.4	73.9
57	90.8	90.0	89.2	88.3	87.4	86.4	85.3	84.2	83.0	81.7	80.4	79.1	77.7	76.2	74.7	73.2
56	90.4	89.6	88.7	87.8	86.9	85.8	84.7	83.6	82.4	81.1	79.8	78.5	77.0	75.6	74.0	72.5
55	89.9	89.1	88.3	87.3	86.3	85.3	84.2	83.0	81.8	80.5	79.2	77.9	76.4	74.9	73.4	71.8
54	89.5	88.7	87.8	86.9	85.8	84.8	83.7	82.5	81.2	79.9	78.6	77.3	75.8	74.3	72.8	71.2
53	89.1	88.2	87.3	86.4	85.4	84.3	83.1	81.9	80.7	79.4	78.0	76.7	75.2	73.7	72.2	70.6
52	88.7	87.8	86.9	85.9	84.9	83.8	82.6	81.4	80.1	78.8	77.4	76.1	74.6	73.1	71.6	70.0
51	88.3	87.4	86.4	85.4	84.4	83.3	82.1	80.9	79.6	78.3	76.9	75.6	74.1	72.6	71.0	69.5
50	87.8	87.0	86.0	85.0	83.9	82.8	81.6	80.4	79.1	77.8	76.4	75.1	73.6	72.1	70.5	68.9

An interpolation shall be made for the age of the employee on the basis of full years and months as of the date of retirement.

Age for the spouse of the employee shall be rounded to the nearest even age in full years as of the date of the employee's retirement.

Factors for other ages are available upon request.

APPENDIX A
TABLE 2

Joint and 75% Survivor

This table shows the percentage of the Basic Monthly Benefit payable to the Participant and continuing to his surviving spouse at three-fourths the rate after his death during the remaining lifetime of such spouse.

Age of Surviving Spouse	Age of Employee															
	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70
70	94.1	93.5	92.8	92.1	91.3	90.5	89.6	88.5	87.5	86.3	85.0	83.7	82.3	80.8	79.3	77.7
69	93.6	93.0	92.3	91.5	90.7	89.8	88.8	87.8	86.6	85.4	84.1	82.7	81.2	79.7	78.1	76.5
68	93.1	92.4	91.7	90.9	90.0	89.1	88.0	86.9	85.8	84.5	83.1	81.7	80.2	78.6	77.0	75.4
67	92.6	91.9	91.1	90.3	89.3	88.3	87.3	86.1	84.9	83.6	82.2	80.7	79.2	77.6	75.9	74.2
66	92.1	91.3	90.5	89.6	88.7	87.6	86.5	85.3	84.0	82.7	81.2	79.7	78.2	76.5	74.9	73.1
65	91.5	90.7	89.8	88.9	87.9	86.8	85.7	84.4	83.1	81.7	80.2	78.8	77.2	75.5	73.8	72.1
64	90.9	90.1	89.2	88.2	87.2	86.1	84.9	83.6	82.2	80.8	79.3	77.8	76.2	74.5	72.8	71.0
63	90.4	89.5	88.6	87.6	86.5	85.3	84.1	82.8	81.4	79.9	78.4	76.9	75.2	73.5	71.8	70.0
62	89.8	88.9	87.9	86.9	85.8	84.6	83.3	81.9	80.5	79.0	77.5	75.9	74.3	72.5	70.8	69.0
61	89.2	88.3	87.3	86.2	85.0	83.8	82.5	81.1	79.7	78.2	76.6	75.0	73.3	71.6	69.8	68.0
60	88.6	87.6	86.6	85.5	84.3	83.1	81.7	80.3	78.9	77.3	75.7	74.1	72.4	70.7	68.9	67.1
59	88.0	87.0	86.0	84.8	83.6	82.3	81.0	79.5	78.0	76.5	74.9	73.3	71.6	69.8	68.0	66.2
58	87.4	86.4	85.3	84.1	82.9	81.6	80.2	78.8	77.2	75.7	74.0	72.4	70.7	69.0	67.2	65.4
57	86.8	85.8	84.6	83.5	82.2	80.9	79.5	78.0	76.5	74.9	73.2	71.6	69.9	68.1	66.3	64.5
56	86.2	85.1	84.0	82.8	81.5	80.2	78.7	77.3	75.7	74.1	72.4	70.8	69.1	67.3	65.5	63.7
55	85.6	84.5	83.4	82.1	80.8	79.5	78.0	76.5	75.0	73.4	71.7	70.1	68.3	66.6	64.8	63.0
54	85.1	83.9	82.7	81.5	80.2	78.8	77.3	75.8	74.3	72.6	71.0	69.4	67.6	65.8	64.1	62.3
53	84.5	83.3	82.1	80.9	79.5	78.1	76.7	75.1	73.6	71.9	70.3	68.7	66.9	65.1	63.4	61.6
52	83.9	82.8	81.5	80.2	78.9	77.5	76.0	74.5	72.9	71.3	69.6	68.0	66.2	64.5	62.7	60.9
51	83.4	82.2	80.9	79.6	78.3	76.9	75.4	73.9	72.3	70.6	68.9	67.3	65.6	63.8	62.1	60.3
50	82.8	81.6	80.4	79.1	77.7	76.3	74.8	73.2	71.6	70.0	68.3	66.7	65.0	63.2	61.5	59.7

An interpolation shall be made for the age of the employee on the basis of full years and months as of the date of retirement.

Age for the spouse of the employee shall be rounded to the nearest even age in full years as of the date of the employee's retirement.

Factors for other ages are available upon request.

APPENDIX A
TABLE 3

Joint and 100% Survivor

This table shows the percentage of the Basic Monthly Benefit payable to the Participant and continuing to his surviving spouse at the same rate after his death during the remaining lifetime of such spouse.

Age of Surviving Spouse	Age of Employee															
	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70
70	92.3	91.5	90.7	89.8	88.8	87.7	86.5	85.3	83.9	82.5	81.0	79.4	77.7	75.9	74.1	72.3
69	91.7	90.9	90.0	89.0	88.0	86.8	85.6	84.3	82.9	81.4	79.8	78.2	76.5	74.7	72.8	70.9
68	91.0	90.2	89.2	88.2	87.1	85.9	84.7	83.3	81.9	80.3	78.7	77.0	75.2	73.4	71.5	69.6
67	90.4	89.5	88.5	87.4	86.3	85.0	83.7	82.3	80.8	79.2	77.6	75.8	74.0	72.2	70.3	68.4
66	89.7	88.7	87.7	86.6	85.4	84.1	82.8	81.3	79.8	78.2	76.5	74.7	72.9	71.0	69.1	67.1
65	89.0	88.0	86.9	85.7	84.5	83.2	81.7	80.2	78.7	77.0	75.3	73.6	71.7	69.8	67.9	65.9
64	88.3	87.2	86.1	84.9	83.6	82.2	80.8	79.3	77.6	75.9	74.2	72.4	70.6	68.7	66.7	64.7
63	87.5	86.5	85.3	84.1	82.7	81.3	79.8	78.3	76.6	74.9	73.1	71.4	69.5	67.5	65.6	63.6
62	86.8	85.7	84.5	83.2	81.9	80.4	78.9	77.3	75.6	73.9	72.1	70.3	68.4	66.5	64.5	62.5
61	86.1	84.9	83.7	82.4	81.0	79.5	78.0	76.3	74.6	72.9	71.0	69.3	67.4	65.4	63.5	61.5
60	85.4	84.2	82.9	81.6	80.1	78.6	77.0	75.4	73.7	71.9	70.0	68.3	66.3	64.4	62.4	60.5
59	84.6	83.4	82.1	80.7	79.3	77.7	76.1	74.5	72.7	70.9	69.1	67.3	65.4	63.4	61.5	59.5
58	83.9	82.6	81.3	79.9	78.4	76.9	75.2	73.6	71.8	70.0	68.1	66.3	64.4	62.5	60.5	58.6
57	83.2	81.9	80.5	79.1	77.6	76.0	74.4	72.7	70.9	69.1	67.2	65.4	63.5	61.6	59.6	57.7
56	82.4	81.1	79.8	78.3	76.8	75.2	73.5	71.8	70.0	68.2	66.4	64.6	62.7	60.7	58.8	56.9
55	81.7	80.4	79.0	77.5	76.0	74.4	72.7	71.0	69.2	67.4	65.5	63.7	61.8	59.9	58.0	56.1
54	81.0	79.7	78.2	76.8	75.2	73.6	71.9	70.2	68.4	66.6	64.7	62.9	61.0	59.1	57.2	55.3
53	80.3	79.0	77.5	76.0	74.4	72.8	71.1	69.4	67.6	65.8	63.9	62.2	60.3	58.4	56.5	54.6
52	79.6	78.3	76.8	75.3	73.7	72.1	70.4	68.6	66.9	65.0	63.2	61.4	59.5	57.7	55.8	53.9
51	79.0	77.6	76.1	74.6	73.0	71.4	69.7	67.9	66.1	64.3	62.5	60.7	58.9	57.0	55.1	53.2
50	78.3	76.9	75.4	73.9	72.3	70.7	69.0	67.2	65.5	63.6	61.8	60.1	58.2	56.3	54.5	52.6

An interpolation shall be made for the age of the employee on the basis of full years and months as of the date of retirement.

Age for the spouse of the employee shall be rounded to the nearest even age in full years as of the date of the employee's retirement.

EXHIBIT 10.15.2

THIRD AMENDMENT TO THE NCR MID-CAREER HIRE SUPPLEMENTAL PENSION PLAN

AMENDMENT TO THE NCR MID-CAREER HIRE SUPPLEMENTAL PENSION PLAN (the "Plan") as restated and in effect January 1, 1997 by NCR Corporation ("NCR").

WHEREAS, the Plan was amended and restated effective January 1, 1997; and

WHEREAS, NCR desires to amend the Plan to admit no new participants to the Plan;

NOW, THEREFORE, NCR does hereby amend the Plan, effective June 1, 2002, as follows:

1. Section 2.1 of ARTICLE II is hereby amended by the addition of the following new paragraph:

Notwithstanding the above, effective June 1, 2002, no new participants will be admitted to the Plan.

IN WITNESS WHEREOF, NCR has caused this amendment to the Plan to be executed this 31st day of July, 2002.

FOR NCR CORPORATION

By: /s/ Wilbert Buiter

Wilbert Buiter
Senior Vice President, Human Resources

EXHIBIT 10.17

NCR CHANGE-IN-CONTROL SEVERANCE PLAN

FOR KEY AT-RISK EMPLOYEES

Adopted Effective January 1, 2003

TABLE OF CONTENTS

PREAMBLE

The NCR Change-in-Control Severance Plan for Key At-Risk Employees ("Plan") is adopted effective January 1, 2003 by NCR Corporation ("Employer").

The purpose of the Plan is to provide severance benefits to employees who are at increased risk of losing employment with the Company following a change-in-control, due to serving in key leadership positions or serving in lead staff positions with significant roles in resisting a hostile takeover of the Company.

The Plan is intended to comply with the Employee Retirement Income Security Act of 1974, as amended, and other applicable law.

The Plan is a sub-plan of the NCR Workforce Redeployment Plan, which is a component of the NCR Group Benefits Plan for Active Employees, plan number 502.

The purpose of the Plan is to assure that the Company will have the continued dedication of covered employees, notwithstanding the possibility, threat or occurrence of a Change-in-Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction by the personal uncertainties and risks created by a pending or threatened Change-in-Control and to encourage the full attention and dedication of the covered Employees to the Company currently and in the event of any threatened or pending Change-in-Control, and to provide them with compensation and benefits arrangements upon a Change-in-Control which ensure that their compensation and benefits expectations will be satisfied and are competitive with those of other corporations. Therefore, to accomplish these objectives, the Board of Directors has caused the Company to adopt this Plan.

ARTICLE 1

DEFINITIONS

The following terms when used herein shall have the following meanings, unless a different meaning is plainly required by the context. Capitalized terms are used throughout the Plan text for terms defined by this and other sections.

1.1 Cause is defined in Section 2.4, Definition of Cause.

1.2 Change-in-Control is defined in Section 4.1, Change-in-Control.

1.3 Change-in-Control Benefits means the benefits described in ARTICLE 3, which are payable to a Participant who becomes entitled to benefits under the Plan as provided in Section 2.3, Entitlement to Benefits.

1.4 Code means the Internal Revenue Code of 1986, as amended.

1.5 Committee means the committee responsible for administration of the Plan, as provided in Section 6.1, Plan Committee.

1.6 Company means NCR Corporation, a Maryland corporation, and its subsidiaries and affiliated companies.

1.7 ERISA means the Employee Retirement Income Security Act of 1974, as amended, and including all regulations thereunder.

1.8 Good Reason is defined in Section 2.5, Definition of Good Reason.

1.9 Participant means an employee who satisfies the requirements to participate in the Plan, as set forth in Section 2.2, Participation.

1.10 Pension Plans means the tax-qualified defined benefit pension plans sponsored by the Company.

1.11 Plan means this NCR Change-in-Control Severance Plan for Key At-Risk Employees, either in its present form or as amended from time to time.

1.12 Salary means the annual base pay of an employee in effect on the date of termination of employment, or the date of the Change-in-Control, if greater. "Salary" includes any lump sum merit increase, but does not include any overtime, commissions, bonuses, or other special pay.

ARTICLE 2

ELIGIBIILITY AND PARTICIPATION

2.1 Eligibility

Employees eligible to participate in the Plan are employees serving in a Band II position and employees filling the positions listed in Appendix A, other than officers designated as "section 16 officers" by the Board of Directors of the Company.

2.2 Participation

An individual serving in an eligible position at any time during the three month period immediately preceding the date of a Change-in-Control becomes a Participant in the Plan on the date of such Change-in-Control.

2.3 Entitlement to Benefits

A Participant becomes entitled to the benefits described in ARTICLE 3 if his or her employment with the Company is terminated during the three year period beginning on the date of a Change-in-Control, either:

(a) involuntarily, except for Cause, or

(b) voluntarily due to Good Reason.

To be entitled to the Change-in-Control Benefits, the Participant must also execute a release of all employment-related claims against the Company and its subsidiaries and affiliates existing as of the date of execution, in the standard form used by the Company without material modification, addition or deletion.

Change-in-Control Benefits will not be payable if a Participant's employment with the Company terminates for reasons other than those listed above, including but not limited to involuntary termination for Cause, voluntary termination not supported by Good Reason, death or long term disability. For this purpose, "long term disability" means the Participant is entitled to receive benefits from the NCR Long Term Disability Plan or another long term disability plan sponsored by the Company.

The Change-in-Control Benefits are payable in lieu of any benefits the Participant might be entitled to receive under the NCR Workforce Redeployment Plan.

2.4 Definition of "Cause"

For the purpose of this Plan, "Cause" shall mean:

(a) the willful and continued failure of the Participant to perform substantially the appropriate duties of the Participant's position with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), for a period of at least thirty days after a written demand for substantial performance is delivered to the Participant by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or the Chief Executive Officer believes that the Participant has not substantially performed the Participant's duties, or

(b) the willful engaging by the Participant in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Participant, shall be considered "willful" unless it is done, or omitted to be done, by the Participant in bad faith or without reasonable belief that the Participant's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Participant in good faith and in the best interests of the Company. The termination of employment of the Participant shall not be deemed to be for Cause unless and until there shall have been delivered to the Participant a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Participant and the Participant is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Participant is guilty of the conduct described in subsection (a) or (b) above, and specifying the particulars thereof in detail.

2.5 Definition of "Good Reason"

For the purpose of this Plan, "Good Reason" shall mean:

(a) the significant reduction of the Participant's duties or responsibilities as in effect immediately prior to a Change-in-Control;

(b) any reduction in the Participant's annual base salary as in effect immediately before the Change-in-Control;

(c) the failure to pay incentive compensation to which the Participant is otherwise entitled under the terms of the Company's Business Performance Plan ("BPP") or any successor incentive compensation plan, at the time at which such awards are usually paid or as soon thereafter as administratively feasible, unless the failure to pay the incentive compensation is because of the failure to meet objectives based on quantitative performance;

(d) the provision to the Participant of an opportunity to earn a target annual bonus under the BPP or any successor incentive compensation plan substantially less in amount than the target opportunities for such Participant for the last complete fiscal year of the Company ending prior to the Change-in-Control;

(e) the failure by the Company to continue in effect any stock option plan in which the Participant participates immediately prior to the Change-in-Control, unless a substantially equivalent alternative compensation arrangement (embodied in an ongoing substitute or alternative plan) has been provided to the Participant, or the failure by the Company to continue the Participant's participation in any such stock option plan on substantially the same basis, both in terms of the amount of benefits provided and the level of such Participant's participation relative to other participants, as existed immediately prior to the Change-in-Control;

(f) Except as required by law, the failure by the Company to continue to provide to the Participant employee benefits substantially equivalent, in the aggregate, to those enjoyed by the Participant under the qualified and nonqualified employee benefit and welfare plans of the Company, including, without limitation, the pension, life insurance, medical, dental, health and accident, disability retirement, and savings plans, in which the Participant was eligible to participate immediately prior to the Change-in-Control, or the failure by the Company to provide the Participant with the number of paid vacation days to which such Participant is entitled under the Company's vacation policy immediately prior to the Change-in-Control;

(g) the Company's requiring the Participant to be based at any office or location other than the principal place of the Participant's employment in effect immediately prior to the Change-in-Control that is more than 35 miles distant from the location of such principal place of employment, unless the relocation is part of a relocation, for bona fide business reasons, of the business unit in which the Participant was employed prior to the Change-in-Control, or the Company's requiring the Participant to travel on Company business to a substantially greater extent than required immediately prior to the Change-in-Control; or

(h) any failure by the Company to comply with Section 8.1 Successors.

The Committee shall determine whether a voluntary termination occurred for "Good Reason."

ARTICLE 3

BENEFITS

3.1 Benefits

A Participant who becomes eligible to receive benefits under the Plan pursuant to Section 2.3 Entitlement to Benefits shall be entitled to receive the Change-in-Control Benefits described in the following sections of this ARTICLE 3.

3.2 Separation Pay

The Change-in-Control Benefits include separation pay equal to two times the Participant's Salary (for Band II employees) or one times the Participant's Salary (for positions designated on Appendix A who are not Band II employees), paid in a lump sum within 60 days after termination of employment. The separation pay will be considered to include payment for vacation accrued and unused as of the termination date, and no additional payment will be made for vacation.

3.3 Incentive Pay

The Change-in-Control Benefits include payment in a single lump sum within 60 days after termination of employment, of incentive pay, as follows:

(a) the incentive pay earned under the Business Performance Plan, or any successor plan ("BPP") for the calendar year in which termination of employment occurs, at the greater of target for the year of termination of employment or the actual cash payment for the preceding year, pro-rated in 1/12 increments for the portion of the calendar year prior to the last day of the month in which termination of employment occurs.

(b) two years of incentive pay under the BPP (for Band II employees), or one year (for positions designated on Appendix A who are not Band II employees) at the greater of target for the year of termination of employment or the actual cash payment for the preceding year.

3.4 Extended Health Care Coverage

The Change-in-Control Benefits include coverage for the Participant and his or her eligible dependents under the self-funded health care plan offered by NCR at the Participant's termination date, or the health care plan covering the Participant at the termination date, if different, at the same contribution rates available to active employees. This extended health care coverage extend for two years for Band II employees and for one year for employees in positions designated on Appendix A who are not Band II employees.

The health care coverage described in this Section 3.4 will not terminate if the Participant becomes employed by an unrelated company, but will be secondary to any coverage as an active employee. Extended health care coverage runs concurrently with COBRA continuation coverage rights, so no additional coverage under COBRA is available after the severance period for Band II employees, and six months of additional COBRA coverage is available for employees in positions listed on Appendix A, who are not Band II employees.

3.5 Outplacement Assistance

The Change-in-Control Benefits include outplacement assistance under the Company's program applicable to the Participant as in effect on the date of the Change-in-Control, provided by Wright Associates or a similar organization, for the duration of the extended health care benefits.

3.6 Tax Gross-Up

(a) If it is determined that any payment or distribution by the Company to or for the benefit of the Participant (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, but determined without regard to any additional payments required under this Section 3.6) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Participant with respect to such excise tax (such excise tax, together with any such interest and penalties, hereinafter collectively referred to as the "Excise Tax"), then the Change-in-Control Benefits shall include an additional payment ("Gross-Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any federal and state income taxes (and any interest and penalties imposed with respect thereto), the

Medicare portion of FICA, and excise taxes imposed upon the Gross-Up Payment, the Participant retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the payments.

(b) Subject to the provisions of Subsection (c), all determinations required to be made under this Section 3.6, including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Price Waterhouse Coopers (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Participant within 15 business days of the receipt of notice from the Participant that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change-in-Control, the Participant shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 3.6, shall be paid by the Company to the Participant within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Participant. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Subsection (c) and the Participant thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Participant.

(c) The Participant shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Participant is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Participant shall not pay such claim prior to the expiration of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Participant in writing prior to the expiration of such period that it desires to contest such claim, the Participant shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Participant harmless, on an after-tax basis, for any Excise Tax or federal or state income tax (including interest and penalties with respect thereto) and Medicare portion of FICA imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this subsection (c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Participant to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Participant agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Participant to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Participant, on an interest-free basis and shall indemnify and hold the Participant harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Participant with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Participant shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Participant of an amount advanced by the Company pursuant to Subsection (c), the Participant becomes entitled to receive any refund with respect to such claim, the Participant shall (subject to the Company's complying with the requirements of Subsection (c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Participant of an amount advanced by the Company pursuant to Subsection (c), a determination is made that the Participant shall not be entitled to any refund with respect to such claim and the Company does not notify the Participant in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

3.7 Death Benefits

If a Participant dies after becoming entitled to the Change-in-Control Benefits but before receiving payment, the Change-in-Control Benefits will be paid to the Participant's estate. The Participant's eligible dependents will continue the extended health care coverage as provided in Section 3.4.

3.8 Stock Awards

Stock options and other stock awards under the NCR Management Stock Plan will vest and become payable upon the occurrence of a Change-in-Control, as provided in that plan.

ARTICLE 4

CHANGE-IN-CONTROL

4.1 Change-in-Control

For the purpose of this Plan a "Change-in-Control" shall mean any of the following events:

(a) An acquisition by any individual, entity or group (within the meaning of Article 13(d)(3) or 14(d)(2) of the Exchange Act) (an "Entity") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); excluding, however, the following: (1) any acquisition, directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of Subsection (c) below; or

(b) A change in the composition of the Board such that the individuals who, as of January 1, 2003, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that for purposes of this definition, that any individual who becomes a member of the Board subsequent to January 1, 2003, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this provision) shall be considered as though such individual were a member of the Incumbent Board; and provided further, however, that any such individual whose initial assumption of office occurs as a result of or in connection with either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of an Entity other than the Board shall not be so considered as a member of the Incumbent Board; or

(c) The approval by the stockholders of the Company of a merger, reorganization or consolidation or sale or other disposition of all or substantially all of the assets of the Company (each, a "Corporate Transaction") or, if consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding, however, such a Corporate Transaction pursuant to which (i) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation or other Person (as defined below) which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries (a "Parent Company")) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Entity (other than the Company, any employee benefit plan (or related trust) of the Company, such corporation resulting from such Corporate Transaction or, if reference was made to equity ownership of any Parent Company for purposes of determining whether clause (i) above is satisfied in connection with the applicable Corporate Transaction, such Parent Company) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors unless such ownership resulted solely from ownership of securities of the Company prior to the Corporate Transaction, and (iii) individuals who were members of the Incumbent Board will immediately after the consummation of the Corporate Transaction constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction (or, if reference was made to equity ownership of any Parent Company for purposes of determining whether clause (i) above is satisfied in connection with the applicable Corporate Transaction, of the Parent Company); or

(d) The approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

As used herein, "Person" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, limited liability company, other entity or government or political subdivision thereof.

ARTICLE 5

TRUST

5.1 Establishment of Trust

The Compensation Committee may establish a trust with a bank trustee, for the purpose of paying benefits under this Plan, the NCR Change-in-Control Severance Plan for Executive Officers, and the Change-in-Control Letter Agreement with the CEO of the Company. The trust may be a grantor trust subject to the claims of the Company's creditors.

ARTICLE 6

ADMINISTRATION

6.1 Plan Committee

This Plan shall be administered by a committee ("Plan Committee" or "Committee"), which shall have full power and authority to construe, interpret and administer the Plan and may delegate to one or more officers and/or employees of the Company such duties in connection with the administration of the Plan as it may deem necessary, advisable or appropriate. Prior to a Change-in-Control, the Plan Committee shall consist of the members of the Compensation Committee. If, at any time following a Change-in-Control, at least a majority of the Compensation Committee shall not consist of members of the Incumbent Board (as defined in Section 4.1(b)), then the Plan Committee shall consist of at least five individuals, a majority of whom are officers of the Company and who also were such prior to the Change-in-Control, to be designated by the Compensation Committee.

6.2 Duties of Plan Committee

The Committee shall administer the Plan in a nondiscriminatory manner for the exclusive benefit of Participants and their beneficiaries. The Committee shall perform all such duties as are necessary to supervise the administration of the Plan and to control its operation in accordance with its terms.

6.3 Authority of Plan Committee

The Committee shall have all powers necessary or appropriate to carry out its duties, including the discretionary authority to interpret the provisions of the Plan and the facts and circumstances of eligibility for Plan participation and claims for benefits. Any interpretation or construction of or action by the Committee with respect to the Plan and its administration shall be binding upon any and all parties and persons affected thereby, subject to the exclusive appeal procedure set forth in Section 6.4.

6.4 Claim Procedure

If any person eligible to receive benefits under the Plan, or claiming to be so eligible, believes he or she is entitled to benefits in an amount greater than those which he or she has received, he or she may file a claim in writing with the Company's Human Resources Department ("HRD"). The HRD shall review the claim and, within 90 days after the claim is filed, shall give written notice to the claimant of the decision. If the claim is denied, the notice shall give the reason for the denial, the pertinent provisions of the Plan on which the denial is based, a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and an explanation of the claim review procedure under the Plan.

Any person who has had a claim for benefits denied by HRD shall have the right to request review by the Committee. Such request must be in writing, and must be made within 60 days after such person is advised of the denial of benefits. If written request for review is not received within such 60 day period, the claimant shall forfeit his or her right to review.

The Committee shall review claims that are appealed, and may hold a hearing if it deems necessary, and shall issue a written notice of the final decision. Such notice shall include specific reasons for the decision and specific references to the pertinent Plan provisions on which the decision is based. The decision shall be final and binding upon the claimant and the Committee and all other persons involved.

6.5 Arbitration

Any dispute or controversy arising under or in connection with this Plan shall be settled exclusively by arbitration in the City of Dayton, Ohio in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

ARTICLE 7

TERM OF THE PLAN

7.1 Three-Year Term

This Plan shall continue in effect through December 31, 2005; provided, however, that commencing on January 1, 2004, and on each January 1 thereafter, the term of this Plan shall automatically be extended for one additional year beyond its original or extended termination date so that, unless notice shall have been given as provided in Section 7.2, on each January 1, this Plan shall have an unexpired term of three years.

7.2 Termination

The Board of Directors of the Company may, not later than November 30 of any year, by resolution duly adopted by a majority of the entire membership of the Board, determine that the Plan shall not be extended, in which event the Plan shall expire at the end of the three-year term which began on the January 1 immediately preceding such November 30.

7.3 Termination After a Change-in-Control

Notwithstanding any resolution of the Board not to extend the term of the Plan, if a Change-in-Control shall have occurred during the original or any extended term of the Plan, the Plan shall continue in effect for three years after the date of the Change-in-Control.

7.4 Accrued Rights Not Affected

No termination or expiration of this Plan shall affect any rights, obligations or liabilities of either party that shall have accrued on or prior to the date of such termination or expiration.

7.5 Amendment of Plan

The Board of Directors may amend this Plan with respect to an eligible individual with the written consent of such individual. The Plan Committee at any time may adopt a new Appendix A adding, but not deleting, Eligible Positions.

ARTICLE 8

SUCCESSORS

8.1 Successors

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform under this Plan in the same manner and to the same extent that the Company or a subsidiary (as appropriate) is required to perform. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall entitle each Participant eligible to participate in the Plan who terminates employment during the period of time the Plan would have been in effect had the Company complied with the first sentence of this Section 8.1, to compensation from the Company in the same amount and on the same terms as such Participant would be entitled hereunder if he or she had terminated employment for Good Reason following a Change-in-Control.

ARTICLE 9

GENERAL PROVISIONS

9.1 Separation Pay

Separation pay paid pursuant to this Plan shall be considered severance pay paid after termination of employment. A Participant receiving separation pay through the normal payroll cycle shall not thereby be considered an active employee for any purpose. Accordingly, benefits available to active employees will cease as of the date of termination, including short term disability coverage and long term disability coverage. Separation pay will not be eligible for contribution to the NCR Savings Plan, the NCR Employee Stock Purchase Plan or to the NCR health care or dependent day care spending accounts.

Separation pay will be subject to all applicable FICA and tax withholding.

9.2 No Additional Rights

No person shall have any rights under the Plan except as, and only to the extent, expressly provided for in the Plan. Neither the establishment or amendment of the Plan nor any action of the Company or the Committee shall be held or construed to confer upon any person any right to be continued as an employee, or, upon dismissal, any right or interest in any account or fund other than as herein provided. The Company expressly reserves the right to discharge any employee at any time, subject to such employment agreements as may be in effect with particular employees.

9.3 Severability

If any provision of this Plan is held illegal or invalid for any reason, such determination shall not affect the remaining provisions of this Plan, which shall be construed as if the illegal or invalid provision had never been included.

9.4 Governing Law

This Plan shall be construed in accordance with applicable federal law and the laws of the State of Ohio, to the extent not preempted by ERISA.

9.5 Facility of Payment

In the event any benefit under this Plan shall be payable to a person who is under legal disability or is in any way incapacitated so as to be unable to manage his or her financial affairs, the Senior Vice President, Human Resources, may direct payment of such benefit to a duly appointed guardian, committee or other legal representative of such person, or in the absence of a guardian or legal representative, to any relative of such person by blood or marriage, for such person's benefit. Any payment made in good faith pursuant to this provision shall fully discharge the Company and the Plan of any liability to the extent of such payment.

9.6 Correction of Errors

In the event an incorrect amount is paid to or on behalf of a Participant or beneficiary, any remaining payments may be adjusted to correct the error. The Committee may take such other action as it deems necessary and equitable to correct any such error.

IN WITNESS WHEREOF, the NCR Change-in-Control Severance Plan for Key At-Risk Employees is adopted effective January 1, 2003.

NCR CORPORATION

By: /s/ Wilbert Buiter

Name Wilbert Buiter
Title Senior Vice President, Human Resources

APPENDIX A

ELIGIBLE POSITIONS

Treasurer
Controller
Corporate Secretary
Team Leader for:
   Investor Relations
      Compensation & Benefits
   Government Affairs
Vice President, Public Relations
Law Vice President, Corporate Law Group
Law Vice President, Intellectual Property Group
Law Vice President, Litigation

EXHIBIT 10.28

[LOGO] NCR

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1700 South Patterson Boulevard
Dayton, Ohio 45479

PERSONAL AND CONFIDENTIAL

March 6, 2003

Mr. Mark V. Hurd
1616 Stafford Springs Place
Centerville, OH 45458

Dear Mark:

I am delighted to confirm your appointment as President and Chief Executive Officer of NCR with duties and authority commensurate with such position.

Annual Base Salary -- Your annual base salary will be increased to $750,000 effective March 14, 2003 ("your appointment date").

Management Incentive Plan for Executive Officers (MIP) - As of your appointment date, your MIP eligibility will be increased to a 100% target award and a 200% maximum award. This award opportunity will be based upon the NCR Corporate basis of measure for executive officers and will begin with your appointment date. For 2003, your MIP will be pro-rated for two months based upon your prior position and ten months based upon your new position.

Stock Options - You will continue to participate in the Management Stock Option Program. In recognition of your appointment, you will receive a special one-time grant for 50,000 options of NCR common stock. The grant date of these options will be your appointment date and will have a strike price equal to the fair market value on that day. These options will be subject to the terms and conditions of the standard option agreement, including a non-competition provision. Future grants are discretionary and set annually by the Compensation Committee of the Board of Directors.

Other Benefits - Your eligibility and participation in other current executive benefits remain unchanged with this appointment.

Severance - 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), or a voluntary termination for "Good Reason," you will receive cash payments totaling one times your annual base salary over a period not to exceed one year; provided, that you execute a release of claims in the form used generally by NCR for senior officers. "Good Reason" shall mean a material breach of this Agreement by NCR which is not corrected by NCR within fifteen (15) days of your written notice to NCR of such breach.

Non-Competition - By signing this Agreement, you agree that during your employment with NCR and for an eighteen (18) month period after termination of employment for any reason, you will not yourself or through others, without the prior written consent of the Board of Directors, (i) render services directly or indirectly to any Competing Organization involving the development, manufacture, marketing, advertising or services of any product, process, system or service of NCR's during the last three years of your NCR employment; (ii) directly or indirectly recruit, hire, solicit or induce, or attempt to induce, any exempt employee of NCR or its associated companies to terminate their employment with or otherwise cease their relationship with NCR.; (iii) canvass or solicit business with or from any firm or company with whom NCR worked or provided services to during the preceding five years of your employment by NCR, including customers of NCR. Furthermore, you agree that you will not disclose to any third party or otherwise use any NCR confidential, technical, marketing, business, financial or other information not publicly available, other than as necessary to perform your services hereunder. If you breach any of the provisions of this paragraph, NCR will be released from all obligations it may have under the preceding paragraph "Severance." You understand that if you breach this section, NCR may sustain irreparable injury and may not have an adequate remedy at law. As a result, you agree that in the event of your breach of any of the provisions of this paragraph, NCR may, in addition to its other remedies, bring an action or actions for injunction, specific performance, or both, and have entered a temporary restraining order, preliminary or permanent injunction, or order compelling specific performance.

As used in this section, "Competing Organization" means any organization identified in January of the year in which your employment with NCR terminates, and any other person or organization which is engaged in or about to become engaged in research on or development, production, marketing, leasing, selling or servicing of a product, process, system or service which is the same or similar to or competes with a product, process, system or service manufactured, sold, serviced or otherwise provided by NCR to its customers.

Arbitration - Any controversy or claim related in any way to this 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 of the American Arbitration Association. The arbitration shall be held in Dayton, Ohio, before an arbitrator who is an attorney knowledgeable of employment law. 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 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.

Miscellaneous - This Agreement is personal to you and without the prior written consent of NCR shall not be assignable by you other than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by your legal representatives. This Agreement shall inure to the benefit of and be binding upon NCR and its successors. This Agreement may be amended, modified or changed only by a written instrument executed by you and NCR. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. Notwithstanding any other provision of this Agreement, NCR may withhold from any amounts payable under this Agreement, or any other benefits received pursuant hereto, such minimum Federal, state and/or local taxes as shall be required to be withheld under any applicable law or regulation.

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, NCR reserves the right to discontinue your employment with or without cause at any time and for any reason.

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

Sincerely,

/s/ Linda Fayne Levinson
- -----------------------------------
Linda Fayne Levinson
Chair-Elect, Compensation Committee
NCR Board of Directors

/s/ Mark V. Hurd   March 13, 2003
- -----------------------------------   ----------------------------
Agreed and Accepted   Date
Mark V. Hurd

cc: Wilbert Buiter
Alisa Cheatham

EXHIBIT 13

2002 ANNUAL REPORT TO STOCKHOLDERS OF NCR CORPORATION

Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

We provide the technology and services that help businesses interact, connect and relate with their customers. Our market-leading Data Warehousing solutions transform information into knowledge, permitting businesses to respond with programs designed to improve customer acquisition, retention and profitability. Through our presence at customer interaction points, such as automated-teller machines (ATMs), retail point-of-sale (POS) workstations, self-checkout systems, electronic shelf labels (ESLs), and web-enabled kiosks, our Financial Self Service and Retail Store Automation solutions enable companies to capture and process transaction-based information. Services are an essential component of each of our complete offerings, and our Customer Services division is a global leader in information technology (IT) and services delivery.

We provide specific solutions for the retail and financial industries, and through our Data Warehousing and Customer Services businesses, we provide solutions for industries including telecommunications, transportation, insurance, utilities and electronic commerce, as well as consumer goods manufacturers and government entities. Our solutions are built on a foundation of long-established industry knowledge and consulting expertise, hardware technology, value-adding software, global customer support services, and a complete line of business consumables and specialty media products.

Our key solutions are categorized as Data Warehousing, Financial Self Service, Retail Store Automation and Customer Services, each of which is a reportable operating segment. In addition, our Systemedia and Payment and Imaging solutions are reportable segments. A seventh segment, Other, primarily relates to third-party computer hardware and related professional and installation services in our high availability and networking services businesses and to a business in Japan that is not aligned with our other segments. Our segments are comprised of hardware, software, professional and installation-related services and customer support services.

We deliver our solutions to customers on a global basis, and categorize our results in four regions: the Americas, Europe/Middle East/Africa (EMEA), Japan and Asia/Pacific excluding Japan (Asia/Pacific).

RESULTS FROM OPERATIONS

In millions	2002/1/	2001/2/	2000/3/
Consolidated revenue	$5,585	$5,917	$5,959
Consolidated gross margin	1,587	1,794	1,867
Consolidated operating expenses:			
Selling, general and administrative expenses	1,166	1,315	1,329
Research and development expenses	232	293	333
Total consolidated income from operations	$ 189	$ 186	$ 205

/1/ Income from operations for 2002 includes real estate consolidation and restructuring charges of $16 million and asset impairment charges of $5 million.

/2/ Income from operations for 2001 includes a $39 million provision for uncollectible loans and receivables related to Credit Card Center (CCC), $9 million of integration costs related to acquisitions and $67 million of goodwill amortization.

/3/ Income from operations for 2000 includes $38 million for restructuring and other related charges, $25 million for in-process R&D charges related to acquisitions, $2 million for integration costs related to acquisitions and $33 million of goodwill amortization.

Total revenue decreased 6% in 2002 versus the prior year. When adjusted for the impact of foreign currency fluctuations, revenue declined 7%. The revenue decline in 2002 was primarily attributed to lower revenue from exited businesses and the impact of depressed IT capital spending. This adverse capital spending environment impacted our Customer Services and Retail Store Automation businesses while weakness in the European economy and lower upgrade activity following the Euro conversion on January 1, 2002, specifically affected our Financial Self Service solutions. These declines were partially offset by improved performance from Data Warehousing in the Americas and EMEA regions, as well as the continued success of Financial Self Service in the Asia/Pacific region. Total revenue declines in 2002 of 8% in the Americas region, 7% in the EMEA region and 4% in Japan were partially offset by growth in the Asia/Pacific region of 6%. Adjusted for the impact of foreign currency fluctuations, 2002 revenues declined 11% in the EMEA region and 2% in Japan, contrasted to a 4% increase in the Asia/Pacific region.

Total operating income was $189 million in 2002 versus operating income of $186 million and $205 million in 2001 and 2000, respectively. In 2002, total operating income included $5 million of asset impairment charges and $16 million of real estate consolidation and restructuring charges. Excluding the impact of prior year goodwill amortization of $67 million, total operating income decreased $64 million. This decline was mainly due to lower revenue relating to exited businesses, margin erosion due to competitive pressure, lower product revenue and the impact of pension and postemployment changes.

In 2001, total revenue decreased 1% compared to 2000, but increased 2% when adjusted for the impact of foreign currency fluctuations. Revenues reflected declines from exited businesses and the impact of the slow United States (U.S.) economy on capital spending, offset by the strength of our Financial Self Service solutions in the expanding Asia/Pacific marketplace and the EMEA region, specifically due to higher sales and upgrades relating to the conversion to the Euro currency. Total revenue declines in 2001 of 4% in the Americas region and 12% in Japan were partially offset by growth in the EMEA and Asia/Pacific regions of 6% and 9%, respectively. Adjusted for the impact of foreign currency fluctuations, 2001 revenues increased 9% in the EMEA region and 16% in the Asia/Pacific region, contrasted to a 1% decline in Japan.

In 2001, total operating income included a $39 million provision for uncollectible loans and receivables related to Credit Card Center (CCC), $9 million of acquisition-related integration charges and $67 million of goodwill amortization. In addition to these expenses, the decline in total operating income in 2001 reflected a lower mix of higher-margin product revenues versus services revenue and lower customer services margin as a percentage of revenue, partially offset by a reduction in operating expenses.

Revenue And Operating Margin By Segment

For purposes of discussing our operating results by segment, we exclude the impact of certain items from operating income, consistent with the manner by which we manage each segment and report our operating segment results under Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures about Segments of an Enterprise and Related Information." Although such exclusions result in financial information that differs from generally accepted accounting principles (GAAP) in the United States, it is useful to investors because it includes the same information that is used by our management to assess our overall financial performance and the financial performance of our operating segments. Moreover, this non-GAAP information excludes items that reflect management decisions made for the long-term benefit of our company overall, but which may have a disproportional impact, either positively or negatively, within the reporting period, or exclude events that occur infrequently and therefore do not reflect ongoing operational performance within the period. The effects of pension income, goodwill amortization, and other special items as described in Note 12 of Notes to Consolidated Financial Statements have been excluded from the operating income for each reporting segment presented and discussed below. Our segment results are reconciled to total company GAAP results in Note 12 of Notes to Consolidated Financial Statements.

Data Warehousing provides the market-leading Teradata data warehousing database software, hardware platform and related services that enable companies to gain a competitive advantage by more quickly and efficiently analyzing customer behavior and other business information and then delivering that business intelligence to the company's decision-makers. Combining computer hardware, software, professional consulting services, customer support services and third-party software from leading technology firms, our Data Warehousing solutions are designed to enable businesses, across multiple industries, to quickly leverage detailed data into actionable opportunities.

The following table presents Data Warehousing (including hardware and software maintenance) revenue and total operating income (loss) for the years ended December 31:

In millions	2002	2001	2000
Data Warehousing revenue	$1,226	$1,149	$1,134
Data Warehousing operating income (loss)	$ 112	$ (53)	$ (60)

Data Warehousing revenue increased 7% in 2002 compared to 2001, outpacing the industry despite the challenging economic environment. During 2002, Data Warehousing increased product revenues as a result of existing customers upgrading their data warehouses and the addition of approximately 100 new customers. Data Warehousing generated significant year-over-year growth in the insurance, communications, government and retail sectors. In addition, hardware and software maintenance revenue increased as a result of growth in our installed customer base. Data Warehousing solutions experienced revenue growth in the Americas and EMEA regions, partially offset by declines in the Asia/Pacific region and Japan. Operating income improved to $112 million in

2002, compared to an operating loss

of $53 million in 2001, primarily attributed to reductions in costs and expenses not aligned to demand-creation activities, as well as higher product and maintenance revenues.

In 2001, revenue increased 1% despite a challenging economic environment compared to 2000. This increase was primarily attributable to an increase in hardware and software maintenance revenue as a result of growth in our installed customer base. The 2001 operating loss improved by $7 million from 2000 due to a lower expense structure which was partially offset by a lower mix of higher-margin hardware and software products, versus lower-margin professional services.

We expect continued revenue growth in 2003 driven by the ability of our Teradata business to grow market share despite the depressed IT capital spending environment. We anticipate that our maintenance revenue will continue to grow as a result of growth in our installed customer base. This expected growth, when combined with our continued focus on cost and expense management, should result in improved operating profitability for Teradata Data Warehousing in 2003.

Financial Self Service provides ATMs and related software, including our APTRA operating system software, to banks, credit unions and retailers. Our market-leading value proposition is based on our high-quality ATM product family which provides a broad array of functionality, our leadership position in multi-vendor software, and our best-in-class project management services, all delivered at an attractive cost of ownership. Our Financial Self Service solutions are designed to quickly and reliably process high volumes of consumer transactions and incorporate advanced features such as web enablement, automated check cashing/deposit, automated cash deposit, bill payment and the dispensing of non-cash items. Financial Self Service solutions enable businesses to reduce costs and generate new revenue streams, as well as enhance customer loyalty.

The following table presents Financial Self Service revenue and total operating income for the years ended December 31:

In millions	2002	2001	2000
Financial Self Service revenue	$1,095	$1,114	$1,077
Financial Self Service operating income	$ 115	$ 168	$ 143

Financial Self Service revenue decreased 2% in 2002 compared to 2001. The revenue decrease in 2002 was driven by a decline in the EMEA region, partially offset by increases in the Asia/Pacific and Americas regions. The revenue decline in the EMEA region was attributed to economic weakness and competitive pressure in Europe. Additionally, there were fewer upgrades and purchases of equipment in 2002 versus higher levels of upgrades in 2001 as financial institutions prepared for the January 1, 2002 conversion to the Euro currency. Growth in the Americas region was related to upgrades and purchases by top tier banks and 7-Eleven's purchase of our advanced function ATMs. Growth experienced in the Asia/Pacific region was primarily driven by strong markets in China and India as an increasing number of financial institutions in these countries are installing ATMs for the first time. The operating income decline in 2002 versus the prior year was mainly due to lower product revenue and competitive pressure in Europe.

In 2001, revenues increased 3% compared to 2000. This increase was due largely to the growth in the Asia/Pacific region, particularly in the emerging markets of India and China, and growth in Europe as banks and financial institutions prepared for the January 1, 2002 conversion to the Euro currency. The operating income increase in 2001 versus 2000 was due primarily to higher volume and lower expenses.

We will leverage our worldwide sales, service and manufacturing presence while we continue to focus on expense management in our Financial Self Service segment in 2003. We will also drive expansion in our business in the Asia/Pacific region as we increase production at our Beijing and India manufacturing facilities. We expect flat revenue in 2003 as continued softness in the European market is expected to offset growth in other regions.

Retail Store Automation provides retail-oriented technologies such as POS terminals, bar-code scanners and software as well as innovative self-checkout systems and electronic shelf labels to retailers. Our retail solutions are industry-tested and have proven their business value in the most extreme of retail environments including high-volume food stores, general merchandisers and fast-food restaurants. Combining our retail industry expertise, software and hardware technologies, and implementation and consulting services, our Retail Store Automation solutions are designed to improve selling productivity and checkout processes, and increase customer satisfaction for our retail customers.

The following table presents Retail Store Automation revenue and total operating (loss) income for the years ended December 31:

In millions	2002	2001	2000
Retail Store Automation revenue	$714	$834	$894
Retail Store Automation operating (loss) income	$(57)	$ 10	$ 4

Retail Store Automation revenue decreased 14% in 2002 compared to 2001. The revenue decline was primarily the result of decreased revenues in the Americas and Japan regions as retailers continue to delay capital spending. The operating income decline in 2002 was predominately the result of lower revenue, competitive pressures and transition costs relating to our supply chain.

In 2001, revenue decreased 7% compared to 2000 due largely to post Y2K and the continued constrained capital spending of retailers. The improvement in operating income in 2001 was primarily the result of lower cost and expense.

We expect to see revenue growth in 2003 driven by 2002 order activity which is likely to be partially offset by continued weakness in the retail marketplace. We should also begin to harvest our research and development investments as our product mix shifts to newer products and the industry prepares for a long-overdue upgrade cycle. Streamlining and lowering the cost in our supply chain, as well as ongoing expense management, will better position Retail Store Automation to improve profitability in 2003.

Systemedia provides business consumables and products including paper rolls for ATMs and POS workstations inkjet and laser printer supplies, thermal transfer ribbons, labels, ink ribbons, laser documents, business forms and retail office products. Systemedia products are designed to reduce paper-related failures in our ATMs and POS terminals and enable businesses to improve transaction accuracy while reducing overall costs.

The following table presents Systemedia revenue and total operating income for the years ended December 31:

In millions	2002	2001	2000
Systemedia revenue	$518	$503	$502
Systemedia operating income	$ 6	$ 1	$ 8

Systemedia revenues increased 3% in 2002 compared to 2001. In 2002, revenue increased in all regions except the Asia/Pacific region. Operating income improved in 2002 versus the prior year predominately due to cost reductions in manufacturing and supply-line management.

In 2001, revenue remained relatively flat compared to 2000. The growth experienced in the Americas region was offset by declines in Japan and the EMEA and Asia/Pacific regions. Operating income declined in 2001 primarily due to continued competitive pricing pressures impacting gross margin, offset partially by lower operating expenses.

We expect revenue for Systemedia to be flat in 2003 compared to 2002. Growth driven by sales of retail office products and increasing the capture rate of our ATM and POS customers is expected to be offset by declines in sales of traditional paper products.

Payment and Imaging provides end-to-end solutions for both traditional paper-based and image-based item processing. Our imaging solutions utilize advanced image recognition and workflow technologies to automate item processing, helping financial industry businesses increase efficiency and reduce operating costs. Consisting of hardware, software, and consulting and support services, our comprehensive Payment and Imaging solutions enable check and item-based transactions to be digitally captured, processed and retained within a flexible, scalable environment.

The following table presents Payment and Imaging revenue and total operating income for the years ended December 31:

In millions	2002	2001	2000
Payment and Imaging revenue	$152	$186	$185
Payment and Imaging operating income	$ 19	$ 17	$ 18

Payment and Imaging revenue declined 18% in 2002 compared to 2001. This decline was largely attributed to the sale of our item-processing outsourcing business that contributed $30 million of revenue in 2001 (see Note 4 of Notes to Consolidated Financial Statements). Operating income increased in 2002 compared to 2001 primarily related to lower operating expenses.

In 2001, revenue remained relatively flat compared to 2000. Operating income slightly declined during 2001 compared to 2000 due to product margin erosion.

We expect 2003 revenue to be consistent with the revenue generated in 2002. Payment and Imaging is shifting its focus from traditional item-processing to imaging solutions as check volume and traditional item-processing decline and financial institutions move to digital images to process, and potentially clear, checks electronically.

Customer Services are an essential component of our complete solution offerings. NCR's Customer Services division is a global leader in IT services delivery. In addition to providing maintenance and support for our base of NCR solution customers, our Customer Services segment provides services from consulting to site design, to staging and implementation and maintenance for third parties, to complete systems management.

As a result of supporting our solutions around the world, Customer Services has established an unmatched service delivery capability, and has leveraged this global presence and experience to develop and deliver a comprehensive portfolio of IT infrastructure services to businesses in other industries. These high availability services focus on the vital systems, networks, software and security that comprise the IT infrastructure of today's businesses, and include operations management, consulting, deployment and maintenance. Customer Services provides these services directly to global businesses as well as through partnerships with leading technology, network and systems suppliers including Cisco Systems, Dell Computer Corporation, Sun Microsystems and others.

The following table presents Customer Services revenue and total operating income for the years ended December 31:

In millions	2002	2001	2000
Customer Services revenue	$1,791	$1,968	$1,945
Customer Services operating income	$ 37	$ 170	$ 215

Customer Services revenue declined 9% in 2002 compared to 2001. This decline was largely due to lower maintenance revenue relating to exited businesses, lower professional services and installation-related services due to lower overall company revenues and softness in the third-party contracts market. Our exited businesses relate to bank branch automation, home banking, account processing and low-end server businesses we exited in the 1990s. Customer Services maintenance revenue related to exited businesses declined more than $100 million in 2002. The operating income decline in 2002 was primarily due to lower maintenance revenue from our exited businesses and margin erosion.

In 2001, revenue slightly increased versus 2000 largely due to higher customer services maintenance revenue for our Financial Self Service solution. The operating income decline in 2001 compared to 2000 was principally related to margin erosion from pricing pressures and the impact of exited businesses.

Customer Services revenue is expected to be down in 2003 as the continued decline in maintenance revenues related to exited businesses will offset the expected growth in maintenance revenues for Financial Self Service and Retail Store Automation. The declining revenue from our exited businesses will continue through 2004. Additionally, Customer Services will continue to focus on increasing its managed services business in 2003.

Restructuring and re-engineering

In the third quarter of 2002, we announced re-engineering plans to drive operational efficiency throughout our company. We targeted process improvements to drive simplification, standardization, globalization and consistency across the organization. Key business processes and supporting functions are being evaluated to improve efficiency and effectiveness of operations. To support our growth initiatives, we will focus on our sales process and sales management. Initiatives in this area include capitalizing on our value propositions, improving sales training, territory management and sales metrics and simplifying the sales process. To reduce our cost of delivering products and services, we will focus on improvements to our supply chain that will yield lower inventory levels as well as reductions in inventory handling, freight and warehousing costs. In addition, we will reduce product costs through design and procurement initiatives. In services, we will focus on completion of a global model for service delivery. To reduce our expense structure, we are standardizing our global IT applications, continuing to reduce our real estate costs and implementing new global processes within the finance and administration areas to streamline these processes to begin to reach benchmark standards.

During the fourth quarter of 2002, in connection with these efforts, management approved a real-estate consolidation and restructuring plan designed to accelerate our re-engineering and consolidation strategies. Since 1997, we have reduced the number of facilities utilized by NCR and have reduced the total space used by more than four million square feet. We will continue to reduce excess square footage through better utilization of current space, increasing the use of virtual offices and the sale of underutilized facilities.

As part of our re-engineering, real estate consolidation and restructuring plans, during the fourth quarter of 2002, we incurred a real estate consolidation and restructuring charge of $25 million, of which $8 million was for restructuring charges related to contractual lease termination costs, $9 million related to asset impairment charges and $8 million for lease buy-outs and other real estate consolidation costs.

Gross margin

Gross margin as a percentage of revenue decreased 1.9 percentage points to 28.4% in 2002 from 30.3% in 2001. Product gross margin declined 1.4 percentage points to 34.7% and services gross margin decreased 2.5 percentage points to 21.7%. In 2002, product gross margin included $4 million of asset impairment charges and services gross margin included $8 million for real estate restructuring charges. Product gross margin, including the asset impairment charge, declined primarily due to rate declines relating to competitive pressure in Retail Store Automation and Financial Self Service combined with lower volume in Retail Store Automation, partially offset by improved margin performance in Data Warehousing. The decline in services gross margin was largely due to the lower revenue from exited businesses, margin erosion relating to competitive pricing pressure and the impact of the restructuring charge.

The 2001 gross margin decreased 1.0 percentage point compared to 2000. Product gross margin declined 1.0 percentage point to 36.1% and services gross margin decreased 0.6 percentage points to 24.2%. In 2001, product gross margin included $1 million of acquisition-related integration charges and services gross margin included $5 million of acquisition-related integration charges. Product gross margin declined largely due to lower hardware margins for Data Warehousing and Retail Store Automation. The decline in service gross margin was primarily due to exited businesses and the underutilization of our customer services infrastructure resulting from the slower economy and its effect on the retail and telecommunication industries. In 2000, gross margin as a percentage of revenue was 31.3% and included $37 million of restructuring charges and $1 million of acquisition-related integration charges.

Operating expenses

Selling, general and administrative (SG&A) expenses decreased $149 million, or 11%, in 2002 compared to 2001. Excluding the impact of prior year goodwill amortization of $67 million, SG&A expenses decreased $82 million, or 7%, of which $39 million of this decline related to the prior year CCC charge. In 2002, SG&A expenses included $9 million of real estate consolidation and asset impairment charges. The decrease in 2002 was primarily due to continued infrastructure cost improvements and the curtailment of discretionary spending. This strategy will continue in 2003 as we target process improvements to drive simplification, standardization and globalization and consistency across the organization. SG&A expenses decreased $14 million, or 1%, in 2001 compared to 2000. In 2001, SG&A expenses included a $39 million provision for uncollectible loans and receivables related to CCC and $3 million of acquisition-related integration charges. The decrease in 2001 SG&A expenses was mainly due to infrastructure improvements and curtailment of discretionary spending. As a percentage of revenue, SG&A expenses were 20.9%, 22.2% and 22.3%, in 2002, 2001 and 2000, respectively.

Research and development (R&D) expenses decreased $61 million, or 21%, in 2002 compared to the prior year. The decline in 2002 is a result of utilizing more industry-standard components and the benefit from consolidating our R&D facilities. R&D expenses decreased $40 million, or 12%, in 2001 compared to 2000. The decline in 2001 related to the rationalization of our spending and the elimination of duplicative R&D expenses associated with our customer relationship management software, as we completed the integration of Ceres Integrated Solutions, LLC, which we acquired in 2000. In 2000, R&D expenses included $25 million of in-process R&D charges relating to acquisitions. As a percentage of revenue, R&D expenses were 4.2%, 5.0% and 5.6% in 2002, 2001 and 2000, respectively.

Cost of revenue and total expenses for the years ended December 31, were impacted by certain employee benefit plans as shown below:

In millions	2002	2001	2000
Pension (income) Expense	$(74)	$(124)	$(124)
Postemployment Expense	75	37	21
Postretirement Expense	16	13	13
Net Expense (income)	$ 17	$ (74)	$ (90)

During the 12 months ended December 31, 2002, we realized a $74 million benefit from pension income versus a $124 million benefit in 2001. The decline was due primarily to the impact of the investment performance of our pension fund portfolio in the difficult market environments during 2000 and 2001. Predominately due to the poor performance of the equity markets over the past few years and changes to actuarial assumptions, we expect pension expense of approximately $95 million in 2003.

Postemployment expense (severance, disability and medical) increased to $75 million for the 12 months ended December 31, 2002, versus $37 million in 2001. This increase in expense was primarily attributable to a $33 million increase resulting from a change in the assumed demographic mix of our involuntary employee turnover. The change was made based on actual recent experience factors. Expense increased by $16 million for the 12 months ended December 31, 2001 versus the comparable period in 2000. This increase was primarily attributable to a one-time reduction in our long-term disability medical liability of $12 million in 2000 due to assumption changes relating to long-term disability recovery rates and mortality rates for people on long-term disability. We expect our postemployment expense to be approximately $84 million in 2003.

Postretirement plan expense (medical and life insurance) for the 12 months ended December 31, 2002 was $16 million, which increased over the prior year, primarily due to completing the amortization of the benefits of our 1998 plan design changes during the year.

Income before income tax

Operating income was $189 million in 2002, versus operating income of $186 million and $205 million in 2001 and 2000, respectively. In 2002, operating income included $5 million of asset-impairment charges and $16 million of real estate consolidation and restructuring charges. Excluding the impact of prior-year goodwill amortization of $67 million, operating income decreased $64 million. This decline is primarily due to lower revenue from exited businesses, margin erosion from competitive pressure and lower product revenue and the impact of pension and postemployment changes. In 2001, operating income included a $39 million provision for uncollectible loans and receivables related to CCC, $9 million of acquisition-related integration charges and $67 million of goodwill amortization. The decline in operating income in 2001 reflected a lower mix of higher-margin product revenues versus services revenue and lower customer services margins, partially offset by a reduction in operating expenses. In 2000, operating income included $38 million of restructuring and related charges, $25 million of in-process R&D charges relating to an acquisition and $2 million of acquisition-related integration charges.

Interest expense was $19 million in 2002, $18 million in 2001 and $13 million in 2000. Other expense, net, was $39 million in 2002, and consisted primarily of a $14 million investment basis write-down of marketable securities in Japan for losses that were considered to be other than temporary, a $9 million charge relating to an indemnification claim made by Lucent Technologies, Inc. (see Note 11 of Notes to Consolidated Financial Statements), $8 million of real estate consolidation impairment charges and $6 million of costs relating to the disposition of a small non-strategic business. Other expense, net, was $44 million in 2001, and consisted predominately of a $40 million charge related to the Fox River environmental matter (see Note 11 of Notes to Consolidated Financial Statements), $7 million of goodwill amortization expense and $16 million of investment basis write-downs for losses that were considered to be other than temporary. These expenses were partially offset by $10 million of interest income and $20 million of other income representing both a gain from the sale of our account and item-processing outsourcing businesses and a gain related to the demutualization of one of our health insurance providers. Other income, net, was $83 million in 2000, which consisted primarily of $48 million in gains from facility sales and $31 million of interest income, partially offset by $6 million in goodwill amortization expense.

Income tax

Income tax expense was $3 million in 2002 compared to income tax benefit of $97 million in 2001 and income tax expense of $97 million in 2000. The income tax expense in 2002 was reduced by a $15 million benefit relating to the resolution of outstanding issues on refund claims from the U.S. and French governments. The income tax benefit in 2001 included a $138 million benefit resulting from the favorable settlement of audit issues in our 1993 and 1994 tax years related to a number of international dividend transactions. These issues had been the subject of dispute between the Internal Revenue Service (IRS) and NCR, therefore, a reserve for these items had been established in prior periods. Upon favorable settlement of the dispute during 2001, the reserve was released.

Our effective tax rate was approximately 14% for 2002 excluding the tax impacts relating to the adoption of Statement of Financial Accounting Standard No. 142 (SFAS 142), "Goodwill and Other Intangible Assets," and the benefit from the resolution of outstanding issues on refund claims. Each year our effective tax rate includes a certain amount of benefit related to the use of foreign tax credits. For 2002, the amount of such benefit as compared to the amount of income before tax was larger than previous years. Our effective tax rate was approximately 33% for 2001 excluding the impact of the provision for uncollectible loans and receivables related to CCC, acquisition-related integration costs, a charge related to the Fox River environmental matter, the cumulative effect of adopting Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities," and the

benefit from the favorable resolution of international income tax issues described above. Our effective tax rate was approximately 33% for 2000, excluding restructuring and other related charges, acquisition-related integration and in-process R&D charges. We anticipate our tax rate will be approximately 28% in 2003.

Cumulative effect of accounting change

The cumulative effect of accounting change in 2002 was a non-cash, net-of-tax goodwill impairment charge of $348 million which relates to the adoption of SFAS 142. The cumulative effect of accounting change in 2001 of $4 million relates to the adoption of SFAS 133.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Our cash, cash equivalents and short-term investments totaled $526 million at December 31, 2002 compared to $336 million and $357 million at December 31, 2001 and 2000, respectively.

We generated cash flow from operations of $247 million, $146 million and $171 million in 2002, 2001 and 2000, respectively. The cash generated from operations in 2002 was driven by operating profitability and was partially offset by negative net working capital and disbursements for employee severance and pension. Net working capital was impacted by a $90 million increase in receivables largely relating to the discontinuation of receivables factoring in 2002. The cash generated in 2001 was driven by operating profitability and improved asset management, specifically accounts receivable, partially offset by disbursements for employee severance and pension. Receivable balances decreased $212 million in 2001 compared to an $80 million increase in 2000. The decrease in receivables in 2001 versus 2000 was primarily attributable to lower fourth-quarter revenues, incremental factoring of receivables of approximately $18 million and a continued focus on collections. The cash generated from operations in 2000 was driven primarily by operating results, partially offset by disbursements for employee severance and pension.

Net cash flows used in investing activities was $220 million, $233 million and $367 million in 2002, 2001 and 2000, respectively. The net use of cash in investing activities in 2002, 2001 and 2000 primarily represented net capital expenditures for property, plant and equipment, reworkable service parts and additions to capitalized software. Capital expenditures were $259 million, $325 million and $391 million for the years ended 2002, 2001 and 2000, respectively. Proceeds from sales of property, plant and equipment are primarily driven by our continued focus to reduce our excess real estate. We have progressively reduced our capital spending due to the challenging economic climate and we will continue to manage our capital expenditures below our depreciation and amortization expense. In 2000, we reduced our net short-term investment position by $182 million to fund acquisition activities.

Net cash provided by financing activities was $151 million and $87 million in 2002 and 2001, respectively, compared to a $7 million use in 2000. The net cash provided in 2002 was primarily driven by the net proceeds received from our private issuance of long-term debt, offset in part by the repurchase of Company common stock and repayment of short-term debt. The proceeds from the issuance of the June 2002 long-term debt were $296 million after discount and expenses. Proceeds from short-term borrowings were $101 million, $213 million and $10 million for 2002, 2001 and 2000, respectively. During 2002, $234 million of cash was utilized to repay short-term borrowings, compared to repayments of $171 million and $21 million for 2001 and 2000, respectively. We used $66 million, $60 million and $110 million in 2002, 2001 and 2000, respectively, for the purchase of Company common stock pursuant to the systematic stock repurchase program. We expect this program to continue in 2003. Other financing activities primarily relate to share activity under our stock option and employee stock purchase plans. Proceeds from our employee stock plans were $51 million, $101 million and $122 million for 2002, 2001 and 2000, respectively.

In 2002, global capital market developments resulted in negative returns on NCR's pension funds and a decline in the discount rate used to estimate the pension liability. As a result, the accumulated benefit obligation exceeded the fair value of plan assets and NCR was required to adjust the minimum pension liability recorded in the consolidated balance sheet. This $841 million charge decreased prepaid pension costs by $523 million, increased pension liabilities by $325 million, increased intangible assets by $7 million, increased deferred taxes by $290 million and increased other comprehensive loss by $551 million. This non-cash charge did not affect our 2002 earnings, cash flow or debt covenants, nor did it otherwise impact our business operations.

Contractual and Commercial Commitments In the normal course of business, we enter into various contractual and other commercial commitments that impact, or could impact, the liquidity of our operations. The following table outlines our commitments at December 31, 2002:

	Total Amounts	Less than 1 Year	1-3 Years	4-5 Years	Over 5 Years
In millions					
Long-term debt	$ 306	$ --	$ 1	$ --	$305
Operating leases (non-cancelable)	342	64	85	56	137
Short-term borrowings	5	5	--	--	--
Total Contractual	$ 653	$ 69	$86	$ 56	$442
Unused lines of credit/1/	$ 762	$362	$--	$400	$ --
Standby letters of credit and surety bonds	226	54	77	--	95
Other corporate guarantees	19	2	4	--	13
Other commitments	14	--	10	--	4
Total Commerical	$1,021	$418	$91	$400	$112

/1/ Includes unused bank overdraft facilities and other uncommitted funds of $162 million.

We had debt with scheduled maturities of less than one year of $5 million and $138 million at December 31, 2002 and 2001, respectively. We used a portion of the proceeds from the $300 million senior unsecured notes (as described below), issued in June 2002, to repay short-term debt. The weighted average interest rate for such debt was 5.5% at December 31, 2002 and 3.5% at December 31, 2001. The increase in the weighted average interest rate reflects a reduced borrowing in Japan (which has lower rates) in 2002 versus the prior year. We had long-term debt and notes totaling $306 million and $10 million at December 31, 2002 and 2001, respectively. Material obligations had U.S. dollar-equivalent interest rates ranging from 7.1% to 9.5% with scheduled maturity dates from 2009 to 2020. The scheduled maturities of the outstanding long-term debt and notes during the next five years are $1 million in 2004, with the remainder after 2008.

In October 2002, we renewed a $200 million 364-day unsecured credit facility with a one-year term-out option with a syndicate of financial institutions. The 364-day facility coincides with a $400 million, five-year unsecured revolving credit facility which we entered into in October 2001. The credit facilities contain certain representations and warranties; conditions; affirmative, negative and financial covenants; and events of default customary for such facilities. Interest rates charged on borrowings outstanding under the credit facilities are based on prevailing market rates. No amounts were outstanding under the facilities at December 31, 2002 and 2001.

In June 2002, we issued $300 million of senior unsecured notes due in 2009. The notes were sold privately pursuant to Rule 144A and Regulation S of the Securities Act. The net proceeds from the notes were used to repay a portion of our short-term debt with the remainder available for general corporate purposes. The notes bear interest at an annual rate of 7.125%, which increased 0.25% as of November 4, 2002, and will continue to accrue interest until certain registration requirements are met. This interest is payable semi-annually in arrears on each June 15 and December 15, beginning December 15, 2002, and contain certain covenants typical of this type of debt instrument.

Our cash flows from operations, the credit facilities (existing or future arrangements), the 7.125% senior notes, and other short- and long-term debt financing, will be sufficient to satisfy our future working capital, R&D, capital expenditures and other financing requirements for the foreseeable future. Our ability to generate positive cash flows from operations is dependent on general economic conditions, competitive pressures, and other business and risk factors described below in "Factors That May Affect Future Results." If we are unable to generate sufficient cash flows from operations, or otherwise comply with the terms of our credit facilities and the 7.125% senior notes, we may be required to refinance all or a portion of our existing debt or seek additional financing alternatives.

Our current focus on improving free cash flow, which we define as cash flow from operating activities less capital expenditures for property, plant and equipment, reworkable service parts, and additions to capitalized software, and a continued focus on balance sheet management has increased our ability to generate cash. During 2002, we generated a $167 million free cash flow improvement over 2001, which was primarily driven by improvement in operating activities and a reduction in capital expenditures.

	2002	2001	2000
In millions			
Net cash provided by operating activities	$ 247	$ 146	$ 171
Less:			
Net expenditures and proceeds for service parts	(113)	(117)	(108)
Expenditures for property, plant and equipment	(81)	(141)	(216)

Additions to capitalized software	(65)	(67)	(67)
Free cash flow	$ (12)	$(179)	$(220)

FACTORS THAT AFFECT FUTURE RESULTS

This annual report, including the Shareholder's Letter, and other documents that we file with the Securities and Exchange Commission (SEC), 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, but not limited to, 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.

Economic Pressures Our business is affected by the global economies in which we operate. The recent economic downturn and the subsequent decline in capital spending by many industries, particularly retail and telecommunications, could impact our ability to meet our commitments to customers, the ability of our suppliers to meet their commitments to us, the timing of purchases by our current and potential customers, or the ability of our customers to fulfill their obligations to us on a timely basis. The extent of this impact, if any, is dependent on a number of factors, including the duration and intensity of the downturn, its effect on the markets in general and other general economic and business conditions.

Competition Our ability to compete effectively within the technology industry is critical to our future success. We operate 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. Our competitors include other large, successful companies in the technology industry such as: International Business Machines Corporation (IBM), Oracle Corporation, Diebold, Inc., Dell Computer Corporation, Wincor Nixdorf GmbH & Co., Getronics NV and Unisys Corporation, some of which have widespread penetration of their platforms and service offerings. In addition, we compete with companies in specific markets such as self-check out, electronic shelf labels, entry-level ATMs, payment and imaging, and business consumables and media products.

We offer a broad suite of consulting and support services across our Data Warehousing, Financial Self Service, Retail Store Automation and Payment and Imaging segments. We compete with companies in consulting and support services, and we partner with companies such as Cisco Systems, Dell Computer Corporation and Sun Microsystems to deliver IT infrastructure services solutions and also offer consulting and support services.

Our future competitive performance and market position depend on a number of factors, including our ability to: react to competitive product and pricing pressures; penetrate developing and emerging markets such as India and China in the ATM business; rapidly and continually design, develop and market, or otherwise maintain and introduce, solutions and related products and services for our customers that are competitive in the marketplace; react on a timely basis to shifts in market demands; reduce costs without creating operating inefficiencies; maintain competitive operating margins; improve product and service delivery quality; and market and sell all of our diverse solutions effectively. Our business and operating performance could be impacted by external competitive pressures, such as increasing price erosion, particularly in the industries targeted by our more mature solution offerings such as Retail Store Automation and Financial Self Service Solutions. In addition, our Payment and Imaging segment is shifting from traditional item processing as check volume and the traditional item processing markets are declining and financial institutions are migrating to a digital process with the potential to clear checks electronically.

Our customers finance many of our product sales through third-party financing companies. In case of customer default, these financing companies may be forced to resell this equipment at discounted prices impacting our ability to sell incremental units. The impact of these competitive product and pricing pressures could include lower customer satisfaction, decreased demand for our solutions, loss of market share and reduction of operating profits.

Operating Result Fluctuations Future operating results could 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 and cash flow requirements to vary from quarter to quarter depending on the variability in the volume, timing and mix of product and services sales. In addition, revenue in the third month of each quarter is typically higher than in the first and second months. These factors, among others, make forecasting more difficult and may adversely affect our ability to predict financial results accurately.

Cost/Expense Reductions We are actively working to manage our costs and expenses to continue improving operating profitability without jeopardizing the quality of our products or the efficiencies of our operations. We are also striving

to become the leading, low-cost provider of certain Financial Self Service and Retail Store Automation solutions. Our success in achieving targeted cost and expense reductions depends on a number of factors, including our ability to achieve infrastructure rationalizations, drive lower component costs, improve supply chain efficiencies, improve accounts receivable collections, and reduce inventory overhead, among other things. If we do not successfully complete our cost reduction initiatives, our results of operations or financial condition could be adversely affected.

Contractual Obligations of Consulting Services We maintain a professional services consulting workforce to fulfill contracts that we enter into with our customers that may extend to multiple periods. Our profitability may be impacted if we are not able to control costs and maintain utilization rates. Our profitability is largely a function of performing to customer contractual arrangements within the estimated costs to perform these obligations. If we exceed these estimated costs, our profitability under these contracts may be negatively impacted. In addition, if we are not able to maintain appropriate utilization rates for our professionals, we may not be able to sustain our profitability.

Acquisitions and Divestitures As part of our solutions strategy, we intend to continue to selectively acquire and divest technologies, products and businesses. As these activities take place and we begin to include, or exclude as the case may be, the financial results related to these investments could cause our operating results to fluctuate.

Pension Funds Consistent with local competitive practice and regulations, we sponsor pension plans in many of the countries where we do business. A number of these pension plans are supported by pension fund investments which are subject to financial market risk. The liabilities and assets of these plans are reported in our financial statements in accordance with Statement of Financial Accounting Standards SFAS No. 87 (SFAS 87), "Employer's Accounting for Pensions." In conforming to the requirements of SFAS 87, we are required to make a number of actuarial assumptions for each plan, including expected long-term return on plan assets and discount rate. Our future financial results could be materially impacted by changes in these actuarial assumptions, including those described below in our "Critical Accounting Policies and Estimates." Consistent with the requirements of paragraphs 44-45 of SFAS 87, we estimate our discount rate and long-term expected rate of return on assets assumptions on a country-by-country basis after consultation with independent actuarial consultants. We examine interest rate trends within each country, particularly yields on high-quality long-term corporate bonds, to determine our discount rate assumptions. Our long-term expected rate of return on asset assumptions are developed by considering the asset allocation and implementation strategies employed by each pension fund relative to capital market expectations.

Real Estate Our strategy over the past four years with respect to real estate has been to reduce our holdings of excess real estate and to improve liquidity. In line with this strategy, we anticipate the sale of facilities, which may impact net income. We will intensify our actions to reduce the size of our real estate portfolio during the upcoming year.

Multinational Operations Generating substantial revenues from our multinational operations helps to balance our risks and meet our strategic goals. Currently, approximately 57% of our revenues come from outside the United States. 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, deteriorating economic environments or business disruptions due to economic or political uncertainties, and cultural business practices that may be different from U.S. business practices). 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; currency exchange rate fluctuations which could result in lower demand for our products as well as generate currency translation losses; 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; and the impact of civil unrest relating to war and terrorist activity on the economy or markets in general, or on our ability, or that of our suppliers, to meet commitments.

Introduction of New Solutions The solutions we sell are complex, and we need to rapidly and successfully develop and introduce new solutions. We operate in a competitive, rapidly changing environment, and our future business and operating results depend in part on our ability to develop and introduce new solutions that our customers choose to buy. This includes our efforts to rapidly develop and introduce next generation software applications especially for our Data Warehousing business. 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, and 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 could be impacted. Likewise, we sometimes make commitments to customers regarding new technologies, and our results could be impacted if we are unable to deliver such technologies as planned. In addition, if we are unable to successfully market and sell both existing and newly developed solutions, such as our advanced-function ATMs, self-checkout technologies and electronic shelf labels, and transition our

Payment and Imaging solutions from traditional item processing to imaging, our business and operating results could 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 remedy errors that we believe would be considered critical by our customers prior to shipment, we may not be able to detect or remedy all such errors, and this could result in lost revenues, delays in customer acceptance and incremental costs, which would all impact our business and 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 many of our Retail 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, software, services and skills. Many different relationships are formed by these alliances such as outsourcing arrangements to manufacture hardware and subcontract agreements with third parties to perform services and provide products and software to our customers in connection with our solutions. For example, we rely on third parties for cash replenishment services for our ATM products. 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.

Lack of information technology infrastructure, manual processes and data integrity issues of smaller suppliers can also create product time delays, inventory and invoicing problems and staging delays, as well as other operating issues. The failure of third parties to provide high-quality products or services that conform to required specifications or contractual arrangements could impair the delivery of our solutions on a timely basis, create exposure for non-compliance with our contractual commitments to our customers and impact our business and operating results.

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 remain 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 are not able to continue to obtain licenses for such technologies, our business could be impacted. There has been a recent increase in the issuance of software and business method patents and more companies are aggressively enforcing their intellectual property rights. This trend could impact NCR because from time to time we receive notices from third parties regarding patent and other intellectual property claims such as those made by LG Electronics (LGE) as described in Note 11 of Notes to Consolidated Financial Statements. Whether such claims are with or without merit, they may require significant resources to defend. 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.

Work Environment

Restructuring As we discussed above, we are implementing a re-engineering plan to drive operational efficiency throughout our company. In order to drive cost and expense out of our businesses, we are rationalizing our infrastructure through real estate and support cost reductions; simplifying our front- and back-office processes by, for example, standardizing global IT applications and finance and administration processes; reducing our product costs through design and procurement initiatives; and working to lower our cost of services through completion of a global model for such services. In addition to reducing costs and expenses, our plan includes initiatives to grow revenue such as improving sales training, addressing sales territory requirements and focusing on our strong value propositions. If we are not successful in managing the required changes to implement this plan, in particular those related to changing our internal processes, our business and operating results could be impacted.

Employees Our employees are vital to our success. 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 and our current re-engineering efforts may adversely impact our workforce. If we are not able to attract or retain highly qualified employees by offering competitive compensation, secure work environments and leadership opportunities now and in the future, our business and operating results could be impacted.

Internal Controls / Accounting Policies and Practices Our internal controls, accounting policies and practices, and internal information systems enable us to capture and process transactions in a timely and accurate manner in

compliance with GAAP, laws and regulations, taxation requirements and federal securities laws and regulations. While we believe these controls, policies, practices and systems are adequate to ensure data integrity, unanticipated and unauthorized actions of employees (both domestic and international) or temporary lapses in internal controls due to resource constraints could lead to improprieties that could impact our financial condition or results of operations.

Information Systems It is periodically necessary to replace, upgrade or modify our internal information systems. If we are unable to replace, upgrade or modify such systems in a timely and cost effective manner, especially in light of strains on our information technology resources, our ability to capture and process financial transactions and therefore our financial condition or results of operation may be impacted.

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 making 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 and control procedures, 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. Further, we may not achieve the projected synergies once we have integrated the business into our operations.

It is our policy not to discuss or comment upon negotiations regarding such business combinations or divestitures unless they are material and 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.

Environmental Our historical and ongoing manufacturing activities subject us to environmental exposures. Our facilities and operations are subject to a wide range of environmental protection laws, and we have investigatory and remedial activities underway at a number of facilities that we currently own or operate, or formerly owned or operated, to comply, or to determine compliance, with such laws. Given the uncertainties inherent in such activities, there can be no assurances that the costs required to comply with applicable environmental laws will not impact future operating results.

We have also been identified as a potentially responsible party in connection with certain environmental matters, including the Fox River matter, as further described in "Environmental Matters" under Note 11 of Notes to Consolidated Financial Statements and in the "Critical Accounting Policies and Estimates" section of this Management's Discussion and Analysis of Financial Condition and Results of Operations, and we incorporate such disclosures by reference and make them a part of this risk factor. As described in more detail in such disclosures, we maintain an accrual for our potential liability on the Fox River matter which represents certain critical estimates and judgments made by us regarding our potential liability; however, both the ultimate costs associated with the Fox River site and our share of those costs are subject to a wide range of potential outcomes.

Contingencies Like other technology companies, we face uncertainties with regard to regulations, lawsuits and other related matters. In the normal course of business, we are subject to proceedings, lawsuits, claims and other matters, including those that relate to the environment, health and safety, employee benefits, export compliance, intellectual property and other regulatory compliance and general matters. Because such matters are subject to many uncertainties, their outcomes are not predictable. While we believe that amounts provided in our consolidated financial statements are currently adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to satisfy alleged liabilities from such matters will not impact future operating results. Additionally, we are subject to diverse and complex laws and regulations, including those relating to corporate governance, public disclosure and reporting, which are rapidly changing and subject to many possible changes in the future. Although we do not believe that recent regulatory and legal initiatives will result in significant changes to our internal practices or our operations, rapid changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax interpretations), and federal securities laws and regulations, among others, may substantially increase costs to our organization and could impact our future operating results.

MARKET RISK

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 and mitigate the impact of currency fluctuations on the operations of our foreign subsidiaries, we hedge our main transactional exposures through the use of foreign exchange forward contracts and options. This is primarily done through the hedging of foreign-currency-denominated inter-company inventory purchases by the marketing units and of

foreign-currency-denominated inventory sales by the manufacturing units, and of certain financing transactions that are firmly committed or forecasted. These foreign exchange contracts are designated as cash flow hedges, and the gains or losses are deferred in other comprehensive income and recognized in the determination of income when the underlying hedged transaction impacts earnings. As we hedge inventory purchases, the ultimate gain or loss from the derivative contract is recorded in cost of sales when the inventory is sold to an unrelated third party.

Our strategy is to hedge, on behalf of each subsidiary, our non-functional currency denominated cash flows for a period of up to 12 months. In this way, much of the impact of currency fluctuations on non-functional currency denominated transactions (and hence on subsidiary operating income as stated in the functional currency) is mitigated in the near term. In the longer-term (longer than the hedging period of up to 12 months) the subsidiaries are still subject to the impacts of foreign currency fluctuations. In addition, the subsidiary results are still subject to any impact of translating the functional currency results to U.S. dollars. When hedging certain foreign currency transactions of a long-term investment nature (net investments in foreign operations), 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 firmly committed or forecasted 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. A 10% appreciation in the value of the U.S. dollar against foreign currencies from the prevailing market rates would result in a $7 million increase or a $41 million increase in the fair value of the hedge portfolio as of December 31, 2002 and 2001, respectively. Conversely, a 10% depreciation of the U.S. dollar against foreign currencies from the prevailing market rates would result in a $7 million decrease or a $9 million decrease in the fair value of the hedge portfolio as of December 31, 2002 and 2001, respectively.

The interest rate risk associated with our borrowing and investing activities at December 31, 2002, was not material in relation to our consolidated financial position, results of operations or cash flows. Historically, we have not used derivative financial instruments to alter the interest rate characteristics of our investment holdings or debt instruments but could do so in the future.

We utilize non-exchange traded financial instruments such as foreign exchange forward contracts and options that we purchase exclusively from highly-rated financial institutions. Additionally, we utilize put option contracts that are not exchange traded as described in Note 8 of Notes to Consolidated Financial Statements. With respect to foreign exchange contracts, we record these on our balance sheet at fair market value based upon market-price quotations from the financial institutions. We do not enter into non-exchange traded contracts that require the use of fair value estimation techniques, but if we did, they could have a material impact on our financial results. Also, we do not enter into hedges for speculative purposes.

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 for which we do not require collateral, and if one or more of those customers were to default on its obligations under applicable contractual arrangements, we could be exposed to potentially significant losses. Moreover, the continued downturn in the global economy could have an adverse impact on the ability of our customers to pay their obligations on a timely basis. However, we believe that the reserves for potential losses are adequate. At December 31, 2002 and 2001, we did not have any major concentration of credit risk related to financial instruments.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are prepared in accordance with GAAP. In connection with the preparation of these financial statements, we are required to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and the related disclosure of contingent liabilities. These assumptions, estimates and judgments are based on historical experience and assumptions that are believed to be reasonable at the time. However, because future events and their effects cannot be determined with certainty, the determination of estimates requires the exercise of judgment. Our critical accounting policies are those which require assumptions to be made about matters that are highly uncertain. Different estimates could have a material impact on our financial results. Judgments and uncertainties affecting the application of these policies and estimates may result in materially different amounts being reported under different conditions or circumstances. Our management continually reviews these estimates and assumptions to ensure that our financial statements are presented fairly and are materially correct.

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require significant management judgment in its application. There are also areas in which management's judgment in selecting among available alternatives would not produce a materially different result. The significant accounting policies and estimates that we believe are the most critical to aid in fully understanding and evaluating our reported financial results are discussed in the paragraphs below. Our senior management has reviewed these critical accounting policies and related disclosures with our independent auditors and the Audit Committee of our Board of Directors (see Note 1 of Notes to Consolidated Financial Statements, which contains additional information regarding our accounting policies and other disclosures required by GAAP).

Revenue Recognition We are a solutions company which provides our customers with computer hardware, software, professional consulting services and customer support services. Consistent with other companies that provide similar solution offerings, revenue recognition is often complex and subject to multiple accounting pronouncements including Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements," Statement of Position No. 97-2 (SOP 97-2), "Software Revenue Recognition," and related interpretations.

In general, we consider revenue realized, or realizable, and earned when persuasive evidence of an arrangement exists, the products or services have been provided to the customer, the sales price is fixed or determinable and collectibility is reasonably assured. This policy is consistently applied to all of our operating segments.

Hardware and software revenue is recognized upon shipment, delivery, installation or customer acceptance of the product, as defined in the customer contract. Generally, we do not sell our software products without the related hardware as our software products are embedded in the hardware we sell. Our typical solution requires no significant production, modification or customization of the software or hardware that is essential to the functionality of the products other than installation for our more complex solutions. For these complex solutions, revenue is deferred until all customer contractual obligations have been met.

Our sales arrangements often include support services in addition to hardware and software. These services could include hardware and software maintenance, upgrade rights, customer support and professional consulting services. For sales arrangements that include bundled hardware, software and services, we account for any undelivered service offering as a separate element of a multiple-element arrangement. These services are typically not required to operate the hardware and software. Revenue deferred for services is determined based upon vendor-specific objective evidence of the fair value of the elements as prescribed in SOP 97-2. For these services, revenue is typically recognized ratably over the period benefited or when the services are complete. If the services are essential to the functionality of the hardware and software, revenue from the hardware and software components is deferred until the essential services are complete.

Revenue recognition for complex contractual arrangements require a greater degree of judgment, including a review of specific contracts, past experience, credit-worthiness of customers, international laws and other factors. Changes in judgments about these factors could impact the timing and amount of revenue recognized between periods.

Allowance for Doubtful Accounts We evaluate the collectibility of our accounts receivable based on a number of factors. We establish provisions for doubtful accounts using percentages of our accounts receivable balances as an overall proxy to reflect historical average credit losses and provision for known issues. These percentages are applied to aged accounts receivable balances. Aged accounts are determined based on the number of days the receivable is outstanding, measured from the date of the invoice, or from the date on which payment is due. As the age of the receivable increases, the provision percentage also increases. This policy is applied to all of our operating segments.

Based on the factors below, we periodically review customer account activity in order to assess the adequacy of the allowances provided for potential losses. Factors considered include economic conditions and each customer's payment history and credit worthiness. Judgment is used to assess the collectibility of account balances, and the credit worthiness of a customer.

The Allowance for Doubtful Accounts for the periods ended December 31 was $25 million in 2002, $54 million in 2001 and $24 million in 2000. These allowances represent 2.0%, 4.6% and 1.8% of gross receivables for 2002, 2001 and 2000, respectively. The increase in the allowance for doubtful accounts between 2001 and 2000 represents a $39 million provision for uncollectible loans and receivables related to CCC. Although no near-term changes are expected, unforeseen changes to future allowance percentages could materially impact overall financial results.

Given our experience, we believe that the reserves for potential losses are adequate, but if one or more of our larger customers were to default on its obligations, we could be exposed to potentially significant losses in excess of the provisions established. If economic conditions worsen, impacting our customers' ability to pay, we may increase our reserves for doubtful accounts.

Inventory Valuation Inventories are stated at lower of cost or market. Each quarter, our business segments reassess raw materials, work-in-process, parts and finished equipment inventory average costs for purchase or usage variances from standards and valuation adjustments are made. Additionally, to properly provide for potential exposure due to slow moving, excess, obsolete or unusable inventory, a reserve against inventory is established. This reserve is established based on forecasted usage, orders, technological obsolescence and inventory aging. These factors are impacted by market conditions, technology changes, and changes in strategic direction, and require estimates and management judgment that may include elements that are uncertain. On a quarterly basis, we review the current market value of inventory and require each business segment to ensure that inventory balances are adjusted for any inventory exposure due to age or excess of cost over market value.

We have inventory in more than 40 countries around the world. We transfer inventory from our plants to our distribution and sales organizations. This inventory is transferred at cost plus mark-up. This mark-up is referred to as inter-company profit. Each quarter we review our inventory levels and analyze our inter-company profit for each of our segments to determine the amount of inter-company profit to eliminate. Key assumptions are made to estimate product gross margins, the product mix of existing inventory balances and current period shipments. Over time, we refine these estimates as facts and circumstances allow. If our estimates require refinement our results could be impacted.

Our inventory reserve balances of $66 million, $54 million and $54 million as of December 31, 2002, 2001 and 2000 represent 20.2%, 16.2% and 15.8% of our gross inventory balances for each period. Although we strive to achieve a balance between market demands and risk of inventory excess or obsolescence caused by these factors, it is possible that, should conditions change, additional reserves may be needed. Any changes in reserves will impact operating income during a given period. This policy is consistently applied to all of our operating segments and we do not anticipate any changes to our policy in the near term.

Warranty Reserves One of our key strategies is to provide superior quality products and services. To that end, we provide a standard manufacturer's warranty extending up to 12 months such that, should products under warranty require repair, no additional cost of that repair will be charged to our customers. A corresponding estimated liability for potential warranty costs is also recorded at the time of the sale. We sometimes offer extended warranties to our customers for purchase. We defer the fair value of these revenues and recognize revenue over the life of the warranty. This impacts all segments of our business except for the "Other" segment where minimal warranty, if any, is offered.

Future warranty obligation costs are based upon historic factors such as labor rates, average repair time, travel time, number of service calls per machine and cost of replacement parts. Each segment consummating a sale recognizes the total customer revenue and records the associated warranty liability based upon the pre-established warranty percentages for that product class.

Total warranty costs for the period ended December 31, 2002 were $16 million, $18 million in 2001 and $24 million in 2000, representing 0.6%, 0.6% and 0.8% of total product revenues in the respective periods. Historically the principal factor used to estimate our warranty costs has been service calls per machine. Significant changes in this factor could result in actual warranty costs differing from accrued estimates. Although no near-term changes in our estimated warranty reserves are currently anticipated, in the unlikely event of a significant increase in warranty claims by one or more of our larger customers, costs to fulfill warranty obligations would be higher than provisioned, thereby impacting results.

Pension, Postretirement and Postemployment Benefits We account for defined benefit pension plans in accordance with SFAS 87 which requires that amounts recognized in financial statements be determined on an actuarial basis. Our postretirement plans are accounted for in accordance with Statement of Financial Accounting Standards No. 106 (SFAS 106), "Employers' Accounting for Postretirement Benefits Other Than Pensions," and our postemployment plans are accounted for in accordance with Statement of Financial Accounting Standards No. 112 (SFAS 112), "Employers' Accounting for Postemployment Benefits." We have significant pension, postretirement and postemployment benefit costs and credits, which are developed from actuarial valuations. Actuarial assumptions attempt to anticipate future events and are used in calculating the expense and liability relating to these plans. These factors include assumptions we make about interest rates, expected investment return on plan assets, rate of increase in health care costs, total and involuntary turnover rates, and rates of future compensation increases. In addition, our actuarial consultants also use subjective factors such as withdrawal rates and mortality rates to develop our valuations. We generally review and update these assumptions on an annual basis at the beginning of each fiscal year. We are required to consider current market conditions, including changes in interest rates, in making these assumptions. The actuarial assumptions that we use may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of pension, postretirement or postemployment benefits expense we have recorded or may record. Postretirement and postemployment expenses impact all of our segments, while pension income is reported at the corporate level.

The key assumptions used in developing our 2002 pension and postretirement plan expense were the discount rate of 7.25% and expected return on assets assumption of 10% for our U.S. plans which represents 69% and 100% of pension and postretirement plan obligations, respectively. Holding all other assumptions constant, a 0.25% change in the discount rate used for the U.S. plan would have increased or decreased pre-tax 2002 income by approximately $2 million. Likewise, a 0.25% change in the expected rate of return on plan assets assumption would have increased or decreased pre-tax 2002 income by approximately $7 million. Our expected return on plan assets has historically been and will likely continue to be material to operating and net income. While it is required that we review our actuarial assumptions each year at the measurement date, we generally do not change them between measurement dates. We use a measurement date of December 31, for all of our plans. In determining 2003 pension and postretirement expense for the U.S. plans, we intend to use a discount rate of 6.75% and an expected rate of return on assets assumption of 8.5%. The most significant assumption used in developing our 2002 postemployment plan expense was the assumed rate of involuntary turnover of 4%. The involuntary turnover rate is based on historical trends and projections of involuntary turnover in the future. Our historical assumption has been 3.5%; however, due to reengineering activities that increased our recent involuntary turnover rate and our projection of involuntary turnover, we raised our rate to 4%. A 0.25% change in the rate of involuntary turnover would have increased or decreased pre-tax 2002 expense by approximately $4 million.

Environmental and Legal Contingencies Each quarter, we review the status of each claim and legal proceeding and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss, in accordance with Statement of Financial Accounting Standards No. 5 (SFAS 5), "Accounting for Contingencies." To the extent the amount of a probable loss is estimable only by reference to a range of equally probable outcomes, and no amount within the range appears to be a better estimate than any other amount, we accrue for the low end of the range. Because of uncertainties related to these matters, the use of estimates, assumptions, judgments and external factors beyond our control, accruals are based on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Such revisions in the estimates of the potential liabilities could have a material impact on our results of operations and financial position. When insurance carriers or third-parties have agreed to pay any amounts related to costs, and we believe that it is probable that we can collect such amounts, those amounts would be reflected as receivables in our consolidated financial statements.

The most significant legal contingency impacting our company relates to the Fox River matter, which is further described in detail in Note 11 of Notes to Consolidated Financial Statements. This matter impacts our company overall and does not affect the financial results of any one of its segments. As described in Note 11, NCR was identified as a potentially responsible party (PRP) at the Fox River site in Wisconsin, because of polychlorinated biphenyl (PCB) discharges from two carbonless paper manufacturing facilities previously owned by NCR located along the Fox River. Some parties contend that NCR is also responsible for PCB discharges from paper mills owned by other companies because carbonless paper manufactured by NCR was purchased by those mills as a raw material for their paper making processes. NCR sold the facilities in 1978 to the present owner, Appleton Papers Inc. (API), which has also been identified as a PRP. The other Fox River PRPs include P.H. Glatfelter Company, Georgia Pacific (formerly Fort James), WTM1 Co. (formerly Wisconsin Tissue, now owned by Chesapeake Corporation), Riverside Paper Corporation, and U.S. Paper Mills Corp. (owned by Sonoco Products Company).

As of the end of 2002, our reserve for the Fox River matter was approximately $56 million. In 2001, we increased our reserve to account for the government's proposed clean-up plan, which included certain estimates regarding the total clean-up costs associated with the Fox River, among other things. We regularly re-evaluate the assumptions we use in determining the appropriate reserve for the Fox River matter as additional information becomes available and, when warranted, make appropriate adjustments.

The extent of our potential liability has been highly uncertain and continues to be so at this time. Our eventual liability - which we expect will be paid out over the next 20-40 or more years - will depend on a number of factors. In general, these factors include: (1) the total clean-up costs for the site; (2) the total natural resource damages for the site; (3) the share NCR and API will jointly bear of the total clean-up costs and natural resource damages; as former and current owners of paper manufacturing facilities along the Fox River (4) the share NCR will bear of the joint NCR/API payments for clean-up costs and natural resource damages; and (5) our transaction costs to defend our company in this matter. In setting our reserve, we have attempted to estimate a range of reasonably possible outcomes for each of these factors, although each range is itself highly uncertain. We use our best estimate within the range if that is possible. Where there is a range of equally probable outcomes, and there is no amount within that range that appears to be a better estimate than any other amount, we use the low-end of the range. Each of these factors is discussed below:

- For the first factor described above, total clean-up costs for the site, we determined that there is a range of equally probable outcomes, and that no estimate within that range was better than the other estimates. Accordingly, we used the low-end of that range, which was the government's estimate of the clean-up costs as set forth in the proposed clean-up plan. This amount was $370 million; however there can be no assurances that this amount will not be significantly higher. For example, one consultant has expressed an opinion that total clean-up costs for the site could be approximately $1.1 billion. In relying on the government estimates for clean-up costs, we assumed that neither the amount of dredging undertaken nor the cost per cubic yard of the dredging will vary significantly from the amounts contained in the proposed plan. The goverment's final clean-up plan for the first two areas of the Fox River that was released in January 2003 is generally consistent with the estimates for the corresponding portions of its proposed plan.

.. Second, for total natural resource damages, we also determined that there is a range of equally probable outcomes, and that no estimate within that range was better than the other estimates. Accordingly, we used the low-end of that range, which was the lowest estimate in a 2000 government report on natural resource damages. This amount was $176 million.

.. Third, for the NCR/API share of clean-up costs and natural resource damages, we examined figures developed by several independent, nationally-recognized engineering and paper-industry experts, along with those set forth in draft government reports. Again, we determined that there is a range of equally probable outcomes, and that no estimate within that range was better than the other estimates. Accordingly, we used the low-end of that range, which was primarily an estimate of the joint NCR/API percentage of direct discharges of PCBs to the river.

.. Fourth, for our share of the joint NCR/API payments, we estimated we would pay approximately half of the total costs jointly attributable to NCR/API. This is based on a sharing agreement between us and API, the terms of which are confidential. This factor assumes that API is able to pay its share of the NCR/API joint share.

.. Finally, for our transaction costs to defend this matter, we estimated the costs we are likely to incur over the four-year period covered by the NCR/API interim settlement with the government (which is described below). This estimate is based on our costs since this matter first arose in 1995 and estimates of what our defense costs will be in the future.

We do not expect there to be any significant near-term changes to any of the above-described assumptions that are likely to have a material effect on the amount of our accrual. However, there are other estimates for each of these factors which are significantly higher than the estimates described above. We believe there is such uncertainty surrounding these estimates that we cannot quantify the high-end of the range of such estimates. In any event, assuming, for example, that the above described assumptions are each doubled, our payments for the potential liabilities for the Fox River matter would be approximately $255 million (to be paid out over the next 20-40 or more years). AT&T Corp. and Lucent Technologies, Inc. are jointly responsible for indemnifying us for a portion of amounts incurred by our company over a certain threshold, and the $255 million estimate assumes they will make such payments. If we were in fact required to pay an amount such as $255 million for NCR's share of the Fox River liabilities, it would have a minimal impact on our liquidity and capital resources, assuming that such amount was required to be paid over the time frame currently contemplated. However, if such an amount were required to be paid in a shorter time period, it could have a material impact on our liquidity or capital resources.

We have discussed above our overall, long-term exposure to the Fox River liability. However, as described in Note 11 of Notes to Consolidated Financial Statements, we also have limited short-term liability for this matter. In December 2001, NCR and API entered into an interim settlement with the governmental agencies that limits NCR/API's joint cash payouts to $10.375 million per year over a four-year period beginning at the time of such interim settlement. Any portion of an annual $10.375 million installment not paid out in a given year will be rolled over and made available for payment during subsequent years up until December 10, 2005. These payments are being shared by us and API under the terms of the confidential settlement agreement discussed above and will be credited against our long-term exposure for this matter.

Investment in Marketable Securities We typically classify our marketable securities as available-for-sale and account for them at fair value with net unrealized gains or losses reported, net-of-tax, within stockholders' equity. If a decline in the fair value of a marketable security is deemed by us to be other than temporary, the cost basis of the investment is written down to estimated fair value, and the amount of the write-down is included in the determination of income. The determination of whether a decline in the fair market value is to be other than temporary requires a significant amount of judgment and is based on historical experience and upon information available to us at the time. However, because future events relating to marketable securities cannot be determined with absolute certainty, our decision to recognize a loss may be premature or we may fail to a make a timely adjustment, impacting future earnings. During the fourth quarter of 2002, we recognized a pre-tax loss of $14 million for investments in marketable securities in Japan. Currently, we do not anticipate any near-term changes in the fair market value of our marketable securities and any changes in the fair market value would be immaterial.

Income Taxes We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes," which recognizes deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. The deferred tax assets and liabilities are determined based on the enacted tax rates expected to apply in the periods in which the deferred tax assets or liabilities are expected to be settled or realized.

We regularly review our deferred tax assets for recoverability and establish a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The determination as to whether a deferred tax asset will be realized is made on a jurisdictional basis and is based on the evaluation of positive and negative evidence. This evidence includes historical taxable income, projected future taxable income, the expected timing of the reversal of existing temporary differences and the implementation of tax planning strategies. Projected future taxable income is based on our expected results and assumptions as to which jurisdiction the income will be earned. The expected timing of the reversals of existing temporary differences is based on current tax law and our tax methods of accounting. We also review our liabilities under SFAS No. 5 which requires an accrual for estimated losses when it is probable that a liability has been incurred and the amount can be reasonably estimated. These projections and estimates may change in the future as actual results become known.

If we are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or the time period within which the underlying temporary differences become taxable or deductible, or if the tax laws change unfavorably, then we could be required to increase our valuation allowance against our deferred tax assets, resulting in an increase in our effective tax rate. The impact to our effective tax rate would be an increase of one percentage point for each increase of $1 million to the valuation allowance as of December 31, 2002.

We have a valuation allowance of $357 million as of December 31, 2002 related to certain deferred income tax assets, primarily tax loss carryforwards, in jurisdictions where there is uncertainty as to ultimate realization of a benefit from those tax assets. As of December 31, 2001, the valuation allowance was $281 million.

Impairment of Long-Lived Assets In accordance with Statement of Financial Accounting Standards No. 144 (SFAS 144), "Accounting for the Impairment or Disposal of Long-Lived Assets," long-lived assets to be held and used are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. We determine the fair value of these assets based upon estimates of future cash flows, market value of similar assets, if available, or independent appraisals, if required. In analyzing the fair value and recoverability using future cash flows, we make projections based on a number of assumptions and estimates of growth rates, future economic conditions, assignment of discount rates and estimates of terminal values. An impairment loss is recognized if the carrying amount of the long-lived asset is not recoverable from its undiscounted cash flows. The measurement of impairment loss is the difference between the carrying amount and fair value of the asset. This policy is applied to all of our segments. Long-lived assets to be disposed of and/or held for sale are reported at the lower of carrying amount or fair value less cost to sell. We determine the fair value of these assets in the same manner as described for assets held and used.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 (SFAS 141), "Business Combinations" and SFAS 142 in June 2001. SFAS 141 specifies criteria that intangible assets acquired in a purchase method business combination must be recognized and reported apart from goodwill. SFAS 142 requires that goodwill no longer be amortized, but instead be tested for impairment at least annually. SFAS 142 also requires intangible assets with definite useful lives to continue to be amortized over their respective useful lives and be tested for impairment whenever events and circumstances indicate that the carrying amount may not be recoverable. Indefinite life intangible assets must be tested annually to determine whether events or circumstances continue to support the indefinite useful life. If the intangible asset is subsequently determined to have a finite useful life, the asset shall be tested for impairment in accordance with SFAS 144. Similar to goodwill, the assessment of impairment for intangible assets requires estimates of future cash flows. To the extent the carrying value of the assets exceed their fair value, an impairment loss would be recorded. See Note 5 of Notes to Consolidated Financial Statements for our disclosure regarding intangible assets and goodwill.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

A discussion of recently issued accounting pronouncements is described in Note 1 of Notes to 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 hereof.

Report of Management

We are responsible for the preparation, integrity and objectivity of our consolidated financial statements and other financial information presented in our Annual Report. The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and include certain amounts based on currently available information and our judgment of current conditions and circumstances.

We maintain an internal control structure designed to provide reasonable assurance, at reasonable cost, that our assets are safeguarded, and that transactions are properly authorized, executed, recorded and reported. This structure is supported by the selection and training of qualified personnel, by the proper delegation of authority and division of responsibility, and through dissemination of written policies and procedures. An ongoing program of internal audits and operational reviews assists us in monitoring the effectiveness of these controls, policies and procedures. The accounting systems and related other controls are modified and improved in response to changes in business conditions and operations, and recommendations made by our independent accountants and internal auditors.

PricewaterhouseCoopers LLP, independent accountants, are engaged to perform audits of our consolidated financial statements. These audits are performed in accordance with auditing standards generally accepted in the United States of America, which include the consideration of our internal control structure.

The Audit Committee of the Board of Directors, consisting entirely of independent directors who are not employees of NCR, monitors our accounting, reporting and internal control structure. Our independent accountants, internal auditors and management have complete and free access to the Audit Committee, which periodically meets directly with each group to ensure that their respective duties are being properly discharged.

/s/ Lars Nyberg
Lars Nyberg
Chairman of the Board

/s/ Earl Shanks
Earl Shanks
Senior Vice President and
Chief Financial Officer

Report of Independent Accountants

To the Board of Directors and Stockholders of NCR Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of NCR Corporation and its subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of NCR Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 of the Notes to Consolidated Financial Statements, on January 1, 2002, NCR Corporation adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangibles." The transitional goodwill impairment write-down was reflected as a cumulative effect of change in accounting for the year ended December 31, 2002. On January 1, 2001, NCR Corporation adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB Statement No. 133," the effect of which is reflected as a cumulative effect of change in accounting for the year ended December 31, 2001.

/s/ PricewaterhouseCoopers LLP
Dayton, Ohio
January 20, 2003

Consolidated Statements of Operations

For the year ended December 31	2002	2001	2000
In millions, except per share amounts			
Revenue			
Product revenue	$2,885	$3,048	$3,178
Service revenue	2,700	2,869	2,781
Total revenue	5,585	5,917	5,959
Operating expenses			
Cost of products	1,883	1,947	2,000
Cost of services	2,115	2,176	2,092
Selling, general and administrative expenses	1,166	1,315	1,329
Research and development expenses	232	293	333
Total operating expenses	5,396	5,731	5,754
Income from operations	189	186	205
Interest expense	19	18	13
Other expense (income), net	39	44	(83)
Income before income taxes and cumulative effect of accounting change	131	124	275
Income tax expense (benefit)	3	(97)	97
Income before cumulative effect of accounting change	128	221	178
Cumulative effect of accounting change, net-of-tax	(348)	(4)	--
Net (loss) income	$ (220)	$ 217	$ 178
Net (loss) income per common share			
Basic before cumulative effect of accounting change	$ 1.30	$ 2.29	$ 1.87
Cumulative effect of accounting change	(3.55)	(0.04)	--
Basic	$(2.25)	$ 2.25	$ 1.87
Diluted before cumulative effect of accounting change	$ 1.27	$ 2.22	$ 1.82
Cumulative effect of accounting change	(3.48)	(0.04)	--
Diluted	$(2.21)	$ 2.18	$ 1.82
Weighted average common shares outstanding			
Basic	97.9	96.7	95.1
Diluted	99.9	99.6	98.0

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Balance Sheets

At December 31	2002	2001
In millions, except per share amounts		
Assets		
Current assets		
Cash, cash equivalents and short-term investments	$ 526	$ 336
Accounts receivable, net	1,204	1,126
Inventories, net	263	280
Other current assets	193	221
Total current assets	2,186	1,963
Reworkable service parts and rental equipment, net	234	224
Property, plant and equipment, net	558	629
Goodwill	102	450
Other assets	1,592	1,589
Total assets	$4,672	$4,855
Liabilities and stockholders' equity		
Current liabilities		
Short-term borrowings	$ 5	$ 138
Accounts payable	364	362
Payroll and benefits liabilities	227	217
Customer deposits and deferred service revenue	339	319
Other current liabilities	482	482
Total current liabilities	1,417	1,518
Long-term debt	306	10
Pension and indemnity liabilities	696	319
Postretirement and postemployment benefits liabilities	312	359
Other liabilities	596	600
Minority interests	20	22
Total liabilities	3,347	2,828
Commitments and contingencies (Note 11)		
Stockholders' equity		
Preferred stock: par value $0.01 per share, 100.0 shares authorized, no shares issued and outstanding at December 31, 2002 and 2001, respectively	--	--
Common stock: par value $0.01 per share, 500.0 shares authorized, 97.0 and 97.4 shares issued and outstanding at December 31, 2002 and 2001, respectively	1	1
Paid-in capital	1,217	1,235
Retained earnings	641	861
Accumulated other comprehensive loss	(534)	(70)
Total stockholders' equity	1,325	2,027
Total liabilities and stockholders' equity	$4,672	$4,855

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows
For the year ended December 31

In millions	2002	2001	2000
Operating Activities			
Net (loss) income	$(220)	$ 217	$ 178
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	328	423	361
Deferred income taxes	(27)	11	32
Income tax adjustment	--	(138)	--
Goodwill impairment	348	--	--
Other gain on assets, net	50	(23)	(8)
Changes in assets and liabilities:			
Receivables	(90)	212	(80)
Inventories	18	8	28
Current payables	(12)	(146)	80
Customer deposits and deferred service revenue	21	(25)	(42)
Disbursements for employee severance and pension	(155)	(263)	(248)
Other assets and liabilities	(14)	(130)	(130)
Net cash provided by operating activities	247	146	171
Investing Activities			
Purchases of short-term investments	--	(23)	(26)
Proceeds from sales and maturities of short-term investments	1	32	208
Net expenditures and proceeds for reworkable service parts	(113)	(117)	(108)
Expenditures for property, plant and equipment	(81)	(141)	(216)
Proceeds from sales of property, plant and equipment	23	40	173
Business acquisitions and investments	--	(6)	(319)
Proceeds from sale of business	--	44	--
Additions to capitalized software	(65)	(67)	(67)
Other investing activities, net	15	5	(12)
Net cash used in investing activities	(220)	(233)	(367)
Financing Activities			
Purchases of Company common stock	(66)	(60)	(110)
Short-term borrowings, additions	101	213	10
Short-term borrowings, repayments	(234)	(171)	(21)
Long-term debt, additions	299	1	--
Long-term debt, repayments	(3)	(2)	(3)
Proceeds from employee stock plans	51	101	122
Other financing activities, net	3	5	(5)
Net cash provided by (used in) financing activities	151	87	(7)
Effect of exchange rate changes on cash and cash equivalents	13	(12)	(21)
Increase (decrease) in cash and cash equivalents	191	(12)	(224)
Cash and cash equivalents at beginning of year	335	347	571
Cash and cash equivalents at end of year	$ 526	$ 335	$ 347
Supplemental data			
Cash paid (received) during the year for:			
Income taxes	$ 29	$ (8)	$ 68
Interest	19	18	14

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

In millions	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
December 31, 1999	94	$ 1	$1,081	$ 466	$ 48	$1,596
Employee stock purchase and stock compensation plans	3	--	117	--	--	117
Purchase acquisitions	1	--	64	--	--	64
Proceeds from sale of put options	--	--	5	--	--	5
Expiration of put option obligation	--	--	13	--	--	13
Purchase of Company common stock	(3)	--	(124)	--	--	(124)
Subtotal	95	1	1,156	466	48	1,671
Net income	--	--	--	178	--	178
Other comprehensive income (loss), net-of-tax:						
Currency translation adjustments	--	--	--	--	(42)	(42)
Unrealized (losses) gains on securities:						
Unrealized holding (losses) arising during the period	--	--	--	--	(35)	(35)
Less: reclassification adjustment for gains included in net income	--	--	--	--	(3)	(3)
Additional minimum pension liability	--	--	--	--	(11)	(11)
Comprehensive income (loss)	--	--	--	178	(91)	87
December 31, 2000	95	1	1,156	644	(43)	1,758
Employee stock purchase and stock compensation plans	3	--	124	--	--	124
Proceeds from sale of put options	--	--	1	--	--	1
Purchase of Company common stock	(1)	--	(46)	--	--	(46)
Subtotal	97	1	1,235	644	(43)	1,837
Net income	--	--	--	217	--	217
Other comprehensive income (loss), net-of-tax:						
Currency translation adjustments	--	--	--	--	(42)	(42)
Unrealized (losses) on securities:						
Unrealized holding (losses) arising during the period	--	--	--	--	(3)	(3)
Less: reclassification adjustment for losses included in net income	--	--	--	--	5	5
Additional minimum pension liability	--	--	--	--	6	6
Unrealized gains on derivatives	--	--	--	--	7	7
Comprehensive income (loss)	--	--	--	217	(27)	190
December 31, 2001	97	1	1,235	861	(70)	2,027
Employee stock purchase and stock compensation plans	2	--	47	--	--	47
Proceeds from sale of put options	--	--	1	--	--	1
Purchase of Company common stock	(2)	--	(66)	--	--	(66)
Subtotal	97	1	1,217	861	(70)	2,009
Net loss	--	--	--	(220)	--	(220)
Other comprehensive loss, net-of-tax:						
Currency translation adjustments	--	--	--	--	101	101
Unrealized (losses) on securities:						
Unrealized holding (losses) arising during the period	--	--	--	--	(7)	(7)
Less: reclassification adjustment for losses included in net income	--	--	--	--	6	6
Additional minimum pension liability	--	--	--	--	(551)	(551)
Unrealized (losses) on derivatives	--	--	--	--	(13)	(13)
Comprehensive loss	--	--	--	(220)	(464)	(684)
December 31, 2002	97	$ 1	$1,217	$ 641	$(534)	$1,325

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Description of Business and Significant Accounting Policies

Description of Business NCR Corporation (NCR or the Company) and its subsidiaries provide solutions worldwide that are designed specifically to enable NCR's customers to build, expand and enhance their relationships with their customers by facilitating transactions and transforming data from transactions into useful business information.

NCR offers specific solutions for the retail and financial industries, and through its Data Warehousing and Customer Services segments, NCR provides solutions for industries including telecommunications, transportation, insurance, utilities and electronic commerce, as well as consumer goods manufacturers and government entities. These solutions are built on a foundation of long-established industry knowledge and consulting expertise, a range of hardware technology, value-adding software, global customer support services, and a complete line of business consumables.

Basis of Consolidation The consolidated financial statements include the accounts of NCR and its majority-owned subsidiaries. Long-term investments in affiliated companies in which NCR owns between 20% and 50%, and therefore exercises significant influence, but which it does not control, are accounted for using the equity method. Investments in which NCR does not exercise significant influence (generally, when NCR has an investment of less than 20% and no representation on the Company's Board of Directors) are accounted for using the cost method. All significant inter-company transactions and accounts have been eliminated. The Company does not have any special purpose entities whose financial results are not included in the consolidated financial statements.

Use of Estimates The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Actual results could differ from those estimates.

Revenue Recognition NCR's revenue recognition policy is consistent with the requirements of Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements," Statement of Position No. 97-2 (SoP 97-2), "Software Revenue Recognition," and other applicable revenue recognition guidance and interpretations. In general, the Company records revenue when it is realized, or realizable, and earned. The Company considers these requirements met when persuasive evidence of an arrangement exists, the products or services have been provided to the customer, the sales price is fixed or determinable and collectibility is reasonably assured.

For the Company's solutions, computer hardware and software revenue is recognized upon shipment, delivery, installation or customer acceptance of the product, as defined in the customer contract. Typically, NCR does not sell its software products without the related hardware as the software products are embedded in the hardware. The Company's typical solution requires no significant production, modification or customization of the software or hardware that is essential to the functionality of the products other than installation for its more complex solutions. For these complex solutions, revenue is deferred until the installation is complete.

As a solutions provider, the Company's sales arrangements often include services in addition to hardware and software. These services could include hardware maintenance, upgrade rights, customer support and professional consulting services. For sales arrangements that include bundled hardware, software and services, NCR accounts for any undelivered service offering as a separate element of a multiple-element arrangement. These services are typically not essential to the functionality of the hardware and software. Amounts deferred for services are determined based upon vendor-specific objective evidence of the fair value of the elements as prescribed in SoP 97-2. For these services, revenue is typically recognized ratably over the period benefited or when the services are complete. If the services are essential to the functionality of the hardware and software, revenue from the hardware and software components is deferred until the essential services are complete.

NCR's customers may request that certain transactions be on a bill and hold basis. For these transactions, the Company recognizes revenue in accordance with SAB 101 and the criteria established by the Securities and Exchange Commission.

Cash, Cash Equivalents and Short-Term Investments All short-term, highly liquid investments having original maturities of three months or less are considered to be cash equivalents. Short-term investments include certificates of deposit, commercial paper and other investments having maturities less than one year. Such investments are stated at cost, which approximates fair value at December 31, 2002 and 2001.

Transfer of Financial Assets NCR offers its customers the option to acquire its products and services through payment plans, financing or leasing contracts. From time to time, the Company has factored certain receivables, or transfers future payments under these contracts, to financing institutions on a non-recourse basis. NCR may act as

servicing agent for the purchaser and retain collection and administrative responsibilities. These transfers are recorded as sales of the related accounts receivable when NCR is considered to have surrendered control of such receivables. The Company had factored receivables of less than $1 million at December 31, 2002 and approximately $76 million and $58 million at December 31, 2001 and 2000, respectively. The related cost of the factoring was immaterial to the Company's consolidated financial results.

Allowance for Doubtful Accounts NCR establishes provisions for doubtful accounts using both percentages of accounts receivable balance to reflect historical average credit losses and specific provisions for known issues. Given this experience, NCR believes that the reserves for potential losses are adequate, but if one or more of the Company's larger customers were to default on its obligations under applicable contractual arrangements, NCR could be exposed to potentially significant losses in excess of the provisions established.

Inventories Inventories are stated at the lower of average cost or market value. Excess and obsolete reserves are established based on forecasted usage, orders, technological obsolescence and inventory aging.

Investments in Marketable Securities Typically, marketable securities, which are included in other assets, are deemed by management to be available-for-sale and are reported at fair value with net unrealized gains or losses reported, net-of-tax, within stockholders' equity. If a decline in the fair value of a marketable security is deemed by management to be other than temporary, the cost basis of the investment is written down to fair value, and the amount of the write-down is included in the determination of income. Realized gains and losses are recorded based on the specific identification method and average cost method, as appropriate, based upon the investment type.

Long-Lived Assets

Capitalized Software Certain direct development costs associated with internal-use software are capitalized within other assets and are amortized over the estimated useful lives of the resulting software. NCR typically amortizes capitalized internal-use software over three years beginning when the asset is substantially ready for use.

R&D costs incurred for the development of computer software that will be sold, leased or otherwise marketed are capitalized when technological feasibility has been established. These costs are included within other assets and are amortized over the estimated useful lives of the resulting software. The Company typically amortizes capitalized software over three years beginning when the product is available for general release. Costs capitalized include direct labor and related overhead costs. Costs incurred prior to technological feasibility and after general release are expensed as incurred.

Additions to capitalized software development costs were $65 million in 2002, $67 million in 2001 and $67 million in 2000. Amortization of capitalized software development costs was $70 million in 2002, $70 million in 2001 and $68 million in 2000. Gross capitalized software development costs were $317 million and $252 million at December 31, 2002 and 2001, respectively, and accumulated amortization for capitalized software development costs was $214 million and $144 million at December 31, 2002 and 2001, respectively.

Goodwill NCR adopted SFAS 142 on January 1, 2002, and accordingly, NCR discontinued the amortization of goodwill assets upon adoption. NCR recorded a non-cash, net-of-tax goodwill impairment charge of $348 million as a cumulative effect of accounting change for the year ended December 31, 2002. An additional annual test was performed during the fourth quarter 2002 and no further impairment was realized.

In 2001 and 2000, goodwill amortization was computed on a straight-line basis over estimated useful lives ranging from three to 20 years. Goodwill amortization expense recorded in operating expense was $67 million and $33 million in 2001 and 2000, respectively. Goodwill amortization expense recorded in other expense was $7 million and $6 million in 2001 and 2000, respectively. Accumulated amortization was $127 million and $58 million at December 31, 2001 and 2000, respectively.

Property, Plant and Equipment Property, plant and equipment, reworkable service parts and rental equipment are stated at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of the related assets primarily on a straight-line basis. Buildings are depreciated over 25 to 45 years, machinery and other equipment over three to ten years and reworkable service parts over three to six years. Reworkable service parts are those parts that can be reconditioned and used in installation and ongoing maintenance services and integrated service solutions for NCR's customers.

Property, Plant and Equipment Held for Sale Long-lived assets to be sold are classified as held for sale in the period for which they meet the criteria outlined in SFAS 144. Assets classified as held for sale are carried at the lower of their carrying amount or fair value and are not depreciated while classified as held for sale.

Valuation of Long-Lived Assets Long-lived assets such as property, plant and equipment, software and investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss would be recognized when estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount.

Warranty, Post Sales Support and Sales Returns Provisions for product warranties, post sales support and sales returns and allowances are recorded in the period in which the related revenue is recognized. The Company accrues warranty reserves and sales return and allowances using percentages of revenue to reflect the Company's historical average warranty and sales return claims.

In addition to the standard product warranty, the Company offers extended warranties to its customers. NCR considers extended warranties to be no different than a normal service contract and therefore accounts for the extended warranty by deferring revenue equal to the fair value of the warranty and recognizes the deferred revenue over the extended warranty term.

Pension, Postretirement and Postemployment Benefits NCR has significant pension, postretirement and postemployment benefit costs and credits, which are developed from actuarial valuations. Actuarial assumptions attempt to anticipate future events and are used in calculating the expense and liability relating to these plans. These factors include assumptions the Company makes about interest rates, expected investment return on plan assets, rate of increase in health care costs, total and involuntary turnover rates, and rates of future compensation increases. In addition, NCR's actuarial consultants also use subjective factors such as withdrawal rates and mortality rates to develop the Company's valuations. NCR generally reviews and updates these assumptions on an annual basis at the beginning of each fiscal year. NCR is required to consider current market conditions, including changes in interest rates, in making these assumptions. The actuarial assumptions that NCR uses may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of pension, postretirement or postemployment benefits expense the Company has recorded or may record.

Foreign Currency For many NCR international operations, the local currency is designated as the functional currency. Accordingly, assets and liabilities are translated into U.S. dollars at year-end exchange rates, and revenues and expenses are translated at average exchange rates prevailing during the year. Currency translation adjustments resulting from fluctuations in exchange rates are recorded in other comprehensive income.

In the normal course of business, NCR enters into various financial instruments, including derivative financial instruments. NCR uses foreign exchange forward contracts and options to reduce the Company's exposure to changes in currency exchange rates, primarily as it relates to inventory purchases by marketing units and inventory sales by manufacturing units. Derivatives used as a part of NCR's risk management strategy, which are designated at inception as cash-flow hedges, are measured for effectiveness both at inception and on an ongoing basis. For foreign exchange contracts designated as cash-flow hedges, the gains or losses are deferred in other comprehensive income and recognized in the determination of income as adjustments of carrying amounts when the underlying hedged transaction is realized, canceled or otherwise terminated. For the year ended December 31, 2002, NCR reclassified net losses of $1 million to other income as a result of discontinuance of cash-flow hedges. The net impact related to the ineffectiveness of all cash-flow hedges was not material during 2002. At December 31, 2002, before-tax deferred net losses recorded in other comprehensive income related to cash-flow hedges were $9 million, and are expected to be reclassified to earnings during the next 12 months.

When hedging certain foreign currency transactions of a long-term investment nature (net investments in foreign operations), gains and losses are recorded in the currency translation adjustment component of stockholders' equity. Gains and losses on foreign exchange contracts that are not used to hedge currency transactions of a long-term investment nature, or that are not designated as cash-flow hedges, are recognized in other income or expense as exchange rates change. The impact of these hedging activities were not material to the Company's consolidated financial position, results of operations or cash flows. Settlement payments are primarily based on net gains and losses related to foreign exchange derivatives and are included in cash flows from operating activities in the consolidated statements of cash flows.

Income Taxes Income tax expense is provided based on income before income taxes. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are determined based on the enacted tax rates expected to apply in the periods in which the deferred assets or liabilities are expected to be settled or realized. NCR records valuation allowances related to its deferred income tax assets when it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

Earnings Per Share Basic earnings per share is 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 includes the additional dilution from potential common stock, such as stock options and restricted stock awards.

Environmental and Legal 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 GAAP are adequate in light of the probable and estimable liabilities. However, there can be no assurances that the actual amounts required to satisfy alleged liabilities from various lawsuits, claims, legal proceedings and other matters, including the Fox River environmental matter discussed below in Note 11 of Notes to Consolidated Financial Statements, 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 costs that may be incurred in excess of those amounts provided as of December 31, 2002, cannot currently be reasonably determined.

Stock Compensation NCR accounts for its stock-based compensation plans using the intrinsic value-based method in accordance with Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees," which requires compensation expense for options to be recognized when the market price of the underlying stock exceeds the exercise price on the date of grant. Compensation cost charged against income for NCR's stock-based plans was not material in 2002, 2001 and 2000. If NCR recognized stock-based compensation expense based on the fair value of granted options at the grant date, net (loss) income and net (loss) income per diluted share for the years ended December 31 would have been as follows:

	2002	2001	2000
In millions, except per share amounts			
Net (loss) income			
As reported	$ (220)	$ 217	$ 178
Pro forma	$ (265)	$ 177	$ 140
Net (loss) income per diluted share			
As reported	$(2.21)	$2.18	$1.82
Pro forma	$(2.65)	$1.78	$1.43

The pro forma amounts calculated are not necessarily indicative of the effects on net income and net income per diluted share in future years. The pro forma net (loss) income and net (loss) income per diluted share for all periods presented were computed using the fair value of options as calculated using the Black-Scholes option-pricing method.

Reclassifications Certain prior year amounts have been reclassified to conform to the 2002 presentation.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards No. 143 In August 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 143 (SFAS 143), "Accounting for Asset Retirement Obligations." SFAS 143, which amends Statement of Financial Accounting Standards No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies," establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost. The objective of SFAS 143 is to provide guidance for legal obligations associated with the retirement of tangible long-lived assets. The retirement obligations included within the scope of this project are those that an entity cannot avoid as a result of either acquisition, construction or normal operation of a long-lived asset. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. At this time, NCR does not expect this standard to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Statement of Financial Accounting Standards No. 145 In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145 (SFAS 145), "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections as of April 2002." SFAS 145 rescinds Statement of Financial Accounting Standards No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that Statement, Statement of Financial Accounting Standards No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." SFAS 145 also rescinds Statement of Financial Accounting Standards No. 44, "Accounting for Intangible Assets of Motor Carriers." SFAS 145 amends Statement of Financial Accounting Standards No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS 145 also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings or describe their applicability under changed conditions. The provisions of SFAS 145 shall be applied in fiscal years beginning after May 15, 2002. NCR does not expect this standard to have any material impact on the Company's consolidated financial position, results of operations or cash flows.

Statement of Financial Accounting Standards No. 146 In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146 (SFAS 146), "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 replaces Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)." This Statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. SFAS 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. NCR is evaluating the impact of this standard on the Company's consolidated financial position, results of operations or cash flows.

Statement of Financial Accounting Standards No. 148 In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148 (SFAS 148) "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123." This Statement amends Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation" to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. NCR is evaluating the impact of this standard for the Company's consolidated financial position, results of operations or cash flows.

FASB Interpretation No. 45 In November 2002, the FASB issued Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which expands previously issued accounting guidance and disclosure requirements for certain guarantees. FIN 45 requires NCR to recognize an initial liability for the fair value of an obligation assumed by issuing a guarantee. The provision for initial recognition and measurement of the liability will be applied on a prospective basis to guarantees issued or modified after December 31, 2002. NCR has adopted the disclosure provisions of FIN 45 and is evaluating the impact that it will have on the consolidated financial position, results of operations or cash flows.

FASB Interpretation No. 46 In January 2003, the FASB issued Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities" expanding the guidance in Accounting Research Bulletin No. 51, "Consolidated Financial Statements" relating to transactions involving variable interest entities. NCR is evaluating the impact of this Interpretation on the Company's consolidated financial position, results of operations or cash flows.

Note 2 Supplemental Financial Information

For the year ended December 31	2002	2001	2000
In millions			
Other expense (income)			
Interest income	$ (10)	$ (10)	$(31)
Other gain on assets, net	50	(23)	(33)
Fox River provision (see Note 11)	--	40	2
Other, net	(1)	37	(21)
Other expense (income), net	$ 39	$ 44	$(83)

At December 31	2002	2001
Cash, cash equivalents and short-term investments		
Cash and cash equivalents	$ 526	$ 335
Short-term investments	--	1
Total cash, cash equivalents and short-term investments	$ 526	$ 336
Accounts receivable		
Trade	$1,177	$1,093
Other	52	87
Accounts receivable, gross	1,229	1,180
Less: allowance for doubtful accounts	25	54
Total accounts receivable, net	$1,204	$1,126
Inventories		
Finished goods, net	$ 197	$ 198
Work in process and raw materials, net	66	82
Total inventories, net	$ 263	$ 280

Note 2 Supplemental Financial Information (continued)

At December 31	2002	2001
In millions		
Other current assets		
Current deferred tax assets	$ 108	$ 113
Other	85	108
Total other current assets	$ 193	$ 221
Reworkable service parts and rental equipment		
Reworkable service parts and rental equipment, gross	$ 501	$ 462
Less: accumulated depreciation	267	238
Total reworkable service parts and rental equipment, net	$ 234	$ 224
Property, plant and equipment		
Land and improvements	$ 90	$ 88
Buildings and improvements	534	556
Machinery and other equipment	1,066	1,058
Property, plant and equipment, gross	1,690	1,702
Less: accumulated depreciation	1,132	1,073
Total property, plant and equipment, net	$ 558	$ 629
Other assets		
Prepaid pension cost/1/	$ 794	$1,104
Deferred income taxes/1/	596	253
Other	202	232
Total other assets	$1,592	$1,589
Other liabilities		
Income taxes	$ 458	$ 440
Other	138	160
Total other liabilities	$ 596	$ 600
Accumulated other comprehensive loss		
Currency translation adjustments	$ 50	$ (54)
Unrealized gain on securities	2	3
Unrealized (loss) gain on derivatives	(9)	7
Additional minimum pension liability and other/1/	(577)	(26)
Total accumulated other comprehensive loss	$ (534)	$ (70)

/1/ At December 31, 2002, NCR recorded a $841 million pre-tax charge to shareholders' equity, increasing additional minimum liabilities for our pension plans. To account for this charge, prepaid pension cost decreased $523 million, other intangible assets increased $7 million, non-current deferred taxes increased $290 million, pension and indemnity liabilities increased $325 million and the net-of-tax impact to other comprehensive loss was $551 million.

Note 3 Business Restructuring

In the third quarter of 2002, NCR announced re-engineering plans to drive operational efficiency throughout the Company. The Company is targeting process improvements to drive simplification, standardization, globalization and consistency across the organization. Key business processes and supporting functions are being re-engineered to improve efficiency and lower costs and expenses. Management is taking action to shorten the Company's product and service offer development cycles and to improve its sales and order management processes. To improve accounts receivables collections and cash flow, management has implemented plans to drive efficiencies for the Company's invoicing and collection activities.

During the fourth quarter of 2002, in connection with these efforts, NCR's management approved a real estate consolidation and restructuring plan designed to accelerate the Company's re-engineering strategies. A pre-tax restructuring charge of $8 million was recorded in the fourth quarter of 2002 to provide for contractual lease termination costs. This charge primarily impacted the following segments, Data Warehousing ($2 million), Financial Self Service ($3 million), and Customer Services ($3 million).

As of December 31, 2002, NCR had not utilized any of the $8 million liability, and as such it is reflected as a current liability on NCR's consolidated balance sheet. The Company anticipates the entire $8 million charge to be utilized for cash outlays. The Company expects to complete the restructuring plan via exiting all identified facilities by the end of 2003.

Note 4 Business Combinations, Divestitures and Equity Investments

During 2002, NCR had no significant acquisition or divestiture activity that materially impacted the consolidated statement of income, balance sheet or cash flows. In 2001 and 2000, NCR completed a number of acquisitions accounted for as purchase business combinations. The earnings from the acquired entities were included in NCR's consolidated financial results from the dates of acquisition. Purchase price and related acquisition costs were allocated to the acquired tangible and intangible assets and liabilities based on fair market values, with residual amounts recorded as goodwill. Also, in 2002, 2001 and 2000, NCR completed other investments and sold assets related to portions of its businesses to third parties, all of which were insignificant.

During 2001, NCR acquired two companies that were not individually, or in aggregate, significant to its financial position, results of operations or cash flows. In 2001, the Company recorded approximately $9 million of integration costs related to acquisitions, which were expensed as incurred ($6 million in cost of revenue and $3 million in SG&A expenses). Also during 2001, NCR sold its account and item processing outsourcing businesses for approximately $44 million. Unaudited pro forma financial information has not been presented because the effects of the acquisitions and divestitures were not material on either an individual or aggregate basis.

During 2000, NCR completed several acquisitions including 4Front Technologies, Inc. (4Front). These acquisitions resulted in total goodwill of $431 million that was being amortized over various periods of five to ten years, and in-process R&D charges of $25 million. The total amount of stock issued as part of the acquisitions was $64 million. NCR recorded approximately $2 million of integration costs related to acquisitions in 2000, which were expensed as incurred ($1 million in cost of revenue and $1 million in SG&A expenses). All purchase accounting adjustments for acquisitions completed in 2000 were finalized and included in the 2001 results.

Assuming the acquisition of 4Front had occurred at the beginning of 2000, the unaudited pro forma revenue, net income and net income per common share for the period ended December 31, 2000 would have been:

	2000	
	Pro Forma	Reported
In millions, except per share amounts		
Revenue	$6,138	$5,959
Net income	$ 147	$ 178
Net income per common share (Basic)	$ 1.55	$ 1.87
Net income per common share (Diluted)	$ 1.50	$ 1.82

Unaudited pro forma financial information for other acquisitions and divestitures completed in 2000 has not been presented because the effects of the acquisitions and divestitures were not material on either an individual or aggregated basis.

Note 5 Long-lived Assets

Property, Plant and Equipment Held for Sale Included in property, plant and equipment classified as held for sale at December 31, 2002 were Land and improvements of $6 million, Buildings and improvements of $26 million and Machinery and equipment of $6 million with related accumulated amortization of $23 million. Impairment charges of $8 million were recorded to reduce the assets to their net realizable value.

Goodwill NCR adopted SFAS 142 on January 1, 2002 and, in accordance with SFAS 142, NCR discontinued the amortization of goodwill assets upon adoption. NCR recorded a non-cash, net-of-tax goodwill impairment charge of $348 million as a cumulative effect of accounting change as of January 1, 2002.

Assuming goodwill amortization had been discontinued at January 1, 2000, the comparable net income and earnings per share (basic and diluted) for the prior-year periods would have been:

For the years ended December 31	2001	2000
In millions (except per share amounts)		
Reported net income	$ 217	$ 178
Impact of Goodwill amortization (net of tax)	66	32
Adjusted Net Income	$ 283	$ 210
Basic earnings per share:		
Reported net income	$2.25	$1.87
Impact of Goodwill amortization (net of tax)	0.68	0.34
Adjusted basic earnings per share	$2.93	$2.21
Fully diluted earnings per share:		
Reported net income	$2.18	$1.82
Impact of Goodwill amortization (net of tax)	0.66	0.33
Adjusted fully diluted earnings per share:	$2.84	$2.15

The changes in the carrying amount of goodwill by operating segment for the year ended December 31, 2002 were as follows:

	Beginning Balance January 1, 2002	Transitional Impairment	Other Adjustments/1/	For the year ended December 31, 2002
In millions				
Goodwill				
Data Warehousing	$ 75	$ --	$ 2	$ 77
Financial Self Service	16	--	(1)	15
Retail Store Automation	28	(28)	--	--
Systemedia	8	(8)	--	--
Payment and Imaging	2	--	--	2
Customer Services	7	--	1	8
Other	314	(314)	--	--
Total goodwill	$450	$(350)	$ 2	$102

/1/ Changes to ending balances primarily relate to the impact of currency fluctuations and a purchase accounting adjustment in Financial Self Service.

Effective January 1, 2002, NCR performed testing for transitional goodwill impairment and at that time identified operating segments as its reporting units: (1) Data Warehousing, (2) Financial Self Service, (3) Retail Store Automation, (4) Systemedia, (5) Payment and Imaging and (6) Other. At the time of this analysis, the Other segment accumulated individual and dissimilar businesses, such as networking hardware and services, managed services and exited businesses, which are not attributable to the formally identified reportable segments. Other businesses included in the Other segment include data management services, data archiving services, network hardware and management, e-business, integration and migration services, system security consultation and help desk services. Exited businesses included in the Other segment relate to bank branch automation, home banking, account processing and low-end servers. The majority of goodwill is related to acquisitions directly attributed to specific reporting units. Goodwill associated with the Japan subsidiary (the result of acquiring minority shares in 1998) was allocated based on the proportional contribution of Japan to the reporting unit results measured at the approximate point of acquisition. The goodwill that was aligned to Other was primarily the result of the acquisition of 4Front in 2000. 4Front provided a variety of services including maintenance, help desk and network management, among others.

NCR used discounted cash flow models on a reporting unit basis to calculate the fair value of each segment. The annual and strategic long-range plans were used as the basis for calculating the operating income for each segment. Assumptions were modified based on updated information, management input, and industry and economic trends that existed at January 1, 2002. Appropriate adjustments were made to the projected net income to arrive at a cash flow for each reporting unit.

Based on this transitional analysis, NCR identified three reporting units for which a total pre-tax impairment loss of $350 million was realized: Retail Store Automation ($28 million), Systemedia ($8 million) and Other ($314 million). The impairment losses realized for Retail Store Automation and Systemedia were primarily related to reduced customer spending resulting from the economic slowdown within the U.S. economy. The impairment loss realized in Other was predominately due to intense regional competition driving down operating margins and the global economic slowdown within the networking and infrastructure sector.

In the fourth quarter of 2002, NCR's executive management team made a number of strategic changes in how the Company manages its businesses. As part of this strategic change, NCR expanded its operating segments to include Customer Services. Prior to this change, goodwill associated with Customer Services was allocated to each of the other segments, as such a proportional share of the Customer Services goodwill was included in the $350 million pre-tax impairment charge. The remaining goodwill aligned to Customer Services is related to previous acquisitions and the proportional allocation of Japan goodwill.

In the fourth quarter of 2002, NCR performed its annual impairment test using the same methodology used in the transitional test described above and no further goodwill impairment losses were realized.

Other Intangible Assets Other intangible assets were specifically identified when acquired, and mainly consist of patents. NCR has not reclassified any other intangibles to goodwill, nor has it recognized any other intangible assets that were previously included in goodwill. NCR's other intangible assets are deemed to have finite lives and are being amortized over original periods ranging from three to ten years. The gross carrying amount and accumulated amortization for NCR's other intangible assets were $25 million and $15 million for the year ended December 31, 2002 and $23 million and $11 million for the year ended December 31, 2001.

The aggregate amortization expense was $4 million and $3 million for the years ended December 31, 2002 and 2001, respectively. The estimated annual amortization expense for the years ending December 31, 2003, 2004, 2005 and 2006 is $4 million, $4 million, $2 million and zero, respectively.

Note 6 Debt Obligations

In June 2002, the Company issued $300 million of senior unsecured notes due in 2009. The notes were offered to institutional buyers in accordance with Rule 144A and outside the United States in accordance with Regulation S under the Securities Act of 1933, as amended (Securities Act). The notes have not been registered under the Securities Act and were not offered or sold in the United States without appropriate registration pursuant to an applicable exemption from the Securities Act registration requirements. The notes accrue interest from June 6, 2002, at the rate of 7.125% per annum, payable semi-annually in arrears on each June 15 and December 15, beginning December 15, 2002, and contain certain covenants typical of this type of debt instrument. As of November 4, 2002, the interest due on the notes increased 0.25% because certain registration requirements were not yet met. Such additional interest will be due and owing until the Company completes an exchange offer for the notes with new notes that are registered under the Securities Act. The proceeds from the issuance totaled $296 million, after discount and expenses, and were used to repay short-term debt with the remainder available for general corporate purposes.

Note 7 Income taxes

For the years ended December 31, income before income taxes consisted of the following:

In millions	2002	2001	2000
Income (loss) before income taxes and cumulative effect of accounting change			
United States	$ 284	$ 289	$319
Foreign	(153)	(165)	(44)
Total income before income taxes and cumulative effect of accounting change	$ 131	$ 124	$275

For the years ended December 31, income tax expense (benefit) consisted of the following:

In millions	2002	2001	2000
Income tax expense (benefit)			
Current			
Federal	$ (2)	$ 9	$32
State and local	4	2	2
Foreign	28	(119)	31
Deferred			
Federal	(13)	7	35
State and local	(1)	(4)	3
Foreign	(13)	8	(6)
Total income tax expense (benefit)	$ 3	$ (97)	$97

The following table presents the principal components of the difference between the effective tax rate and the U.S. federal statutory income tax rate for the years ended December 31:

In millions	2002	2001	2000
Income tax expense at the U.S. federal tax rate of 35%	$ 46	$ 43	$ 96
Foreign income tax differential	(30)	(147)	(8)
U.S. permanent book/tax differences (principally goodwill)	1	9	6
Tax benefits on refund claims	(15)	--	--
Other, net	1	(2)	3
Total income tax expense (benefit)	$ 3	$ (97)	$ 97

NCR's tax provisions include a provision for income taxes in those tax jurisdictions where its subsidiaries are profitable, but reflect only a portion of the tax benefits related to certain foreign subsidiaries' tax losses due to the uncertainty of the ultimate realization of future benefits from these losses. In 2001, the foreign income tax differential included a $138 million income tax benefit resulting from the favorable settlement of audit issues from the 1993 and 1994 tax years related to a number of international dividend transactions. These issues had been the subject of dispute between the IRS and NCR, therefore, a reserve for these items had been established in prior periods. Upon favorable settlement of the dispute during 2001, the reserve was released.

Deferred income tax assets and liabilities included in the balance sheets at December 31 were as follows:

In millions	2002	2001
Deferred income tax assets		
Employee pensions and other benefits	$ 322	$ 37
Other balance sheet reserves and allowances	131	150
Tax loss and credit carryforwards	471	343
Capitalized research and development	199	120
Property, plant and equipment	30	46
Other	76	94
Total deferred income tax assets	1,229	790
Valuation allowance	(357)	(281)
Net deferred income tax assets	872	509
Deferred income tax liabilities		
Property, plant and equipment	18	32
Employee pensions and other benefits	277	245
Other	65	41
Total deferred income tax liabilities	360	318
Total net deferred income tax assets	$ 512	$ 191

NCR recorded valuation allowances related to certain deferred income tax assets due to the uncertainty of the ultimate realization of future benefits from those assets. The valuation allowance covers deferred tax assets, primarily tax loss carryforwards, in tax jurisdictions where there is uncertainty as to the ultimate realization of a benefit from those tax losses. As of December 31, 2002, NCR had U.S. federal and foreign tax loss carryforwards of approximately $647 million. The tax loss carryforwards subject to expiration expire in the years 2003 through 2021.

NCR did not provide for U.S. federal income taxes or foreign withholding taxes on approximately $466 million and $565 million of undistributed earnings of its foreign subsidiaries as of December 31, 2002 and 2001, respectively, because such earnings are intended to be reinvested indefinitely.

The income tax benefit related to other comprehensive income for 2002, 2001 and 2000 was $247 million, $15 million and $48 million, respectively.

Note 8 Stock Compensation Plans, Purchases of Company Common Stock and Put Options Stock Compensation Plans The NCR Management Stock Plan provides for the grant of several different forms of stock-based benefits, including stock options, stock appreciation rights, restricted stock awards, performance awards, other stock unit awards and other rights, interests or options relating to shares of NCR common stock to employees and non-employee directors. Stock options are generally granted at the fair market value of the common stock at the date of grant, generally have a ten-year term and vest within three years of the grant date. Grants that were issued before 1998 generally had a four-year vesting period. Options to purchase common stock may be granted under the authority of the Board of Directors. Option terms as determined by the Compensation Committee of the Board of Directors will not exceed ten years, as consistent with the Internal Revenue Code. The plan was adopted by the Board of Directors, with stockholder approval, effective January 1, 1997. The plan contains an evergreen provision that initially authorized and made available for grant 5.6% of the outstanding shares as of January 1, 1997, as well as sufficient shares to replace all outstanding awards held by active NCR employees for shares of AT&T Corp. stock. Thereafter, the number of shares authorized under the plan increases each calendar year by 4% of the outstanding shares on the first day of the year for the ten-year term of the plan without the need for additional Board approval. The number of shares of common stock authorized and available for grant under this plan were approximately 25 million and 9 million, respectively, at December 31, 2002.

The NCR WorldShares Plan provides for the grant of stock options relating to shares of NCR common stock to employees. The plan was adopted by the Board of Directors, with stockholder approval, effective January 1, 1997. Options to purchase common stock may be granted by the Board of Directors. On January 1, 1997, the Board granted options with a five-year term to substantially all NCR employees. Those options expired January 1, 2002. The plan terminates January 1, 2007, and currently no option grants are outstanding under the plan. The plan authorizes and makes available for grant 6.6% of the outstanding shares as of January 1, 1997. The number of shares of common stock authorized and available for grant under this plan were approximately 7 million and 5 million, respectively, at December 31, 2002.

A summary of stock option activity under the NCR Management Stock Plan follows:

	2002		2001		2000	
	Shares Under Option	Weighted Average Exercise Price	Shares Under Option	Weighted Average Exercise Price	Shares Under Option	Weighted Average Exercise Price
shares in thousands						
Outstanding at beginning of year	15,519	$38.87	15,915	$36.52	14,577	$35.22
Granted	2,421	33.16	3,598	43.89	4,491	38.50
Exercised	(522)	33.25	(2,481)	32.73	(2,327)	32.07
Canceled	(656)	40.01	(864)	38.41	(593)	37.44
Forfeited	(386)	37.42	(649)	34.10	(233)	34.26
Outstanding at end of year	16,376	$38.21	15,519	$38.87	15,915	$36.52

The following table summarizes information about stock options outstanding at December 31, 2002:

shares in thousands Range of Exercise Prices	Stock Options Outstanding Shares	 Weighted Average Remaining Contractual Life	 Weighted Average Exercise Price	Stock Options Exercisable Shares	 Weighted Average Exercise Price
$15.28 to $29.72	1,364	9.17 years	$25.60	152	$26.23
$30.26 to $51.63	15,012	6.21 years	39.36	10,914	38.37
Total	16,376		$38.21	11,066	$38.20

There were approximately 8.3 million stock options with a weighted average exercise price of $36.64 exercisable at December 31, 2001. At December 31, 2000, there were approximately 8.4 million stock options exercisable with a weighted average exercise price of $34.67.

NCR accounts for its stock-based compensation plans using the intrinsic value-based method, which requires compensation expense for options to be recognized when the market price of the underlying stock exceeds the exercise price on the date of grant. Compensation cost charged against income for NCR's stock-based plans was not material in 2002, 2001 and 2000. If NCR recognized stock-based compensation expense based on the fair value of granted options at the grant date, net (loss) income and net (loss) income per diluted share for the years ended December 31 would have been as follows:

	2002	2001	2000
In millions, except per share amounts			
Net (loss) income			
As reported	$ (220)	$ 217	$ 178
Pro forma	$ (265)	$ 177	$ 140
Net (loss) income per diluted share			
As reported	$(2.21)	$2.18	$1.82
Pro forma	$(2.65)	$1.78	$1.43

The pro forma amounts calculated are not necessarily indicative of the effects on net income and net income per diluted share in future years. The pro forma net (loss) income and net (loss) income per diluted share for all periods presented were computed using the fair value of options as calculated using the Black-Scholes option-pricing method. The following weighted average assumptions were used for the years ended December 31:

	2002	2001	2000
Dividend yield	--	--	--
Risk-free interest rate	3.92%	4.86%	6.41%
Expected volatility	45.00%	40.00%	40.00%
Expected holding period (years)	5.0	4.9	5.0

The weighted average fair value of NCR stock options calculated using the Black-Scholes option-pricing model for options granted during the years ended December 31, 2002, 2001 and 2000 was $14.84, $18.53 and $17.42 per share, respectively.

The NCR Employee Stock Purchase Plan enables eligible employees to purchase NCR's common stock at 85% of the average market price at the end of the last trading day of each month. Employees may authorize payroll deductions of up to 10% of eligible compensation for common stock purchases. During 2002, 2001 and 2000, employees purchased approximately 0.8 million, 0.7 million and 0.8 million shares, respectively, of NCR common stock for approximately $22 million, $25 million and $27 million, respectively. As of December 31, 2002, the number of shares authorized and the number of shares available for grant under this plan were approximately 8 million and 3 million, respectively.

Purchase of Company Common Stock On November 21, 2000, NCR's Board of Directors approved a share repurchase program authorizing the systematic repurchase of shares of Company common stock to offset the dilutive effect of the employee stock plans. The systematic repurchase program is funded by the proceeds from the purchase of shares under the Company's Employee Stock Purchase Plan and the exercise of options. Stock will be repurchased periodically on an ongoing basis in the open market or through privately negotiated transactions at management's discretion. The repurchased shares are added to NCR's authorized, but unissued shares. In 2002, NCR committed approximately $66 million to the repurchase of approximately 2.2 million shares under this program at an average price per share of $29.16. This program is expected to continue in 2003.

Under a separate share repurchase program, the Board of Directors on April 15, 1999, and October 21, 1999, authorized $500 million for share repurchases. As of December 31, 2002, the Company had purchased approximately $319 million of the total $500 million authorized. No shares were repurchased under this program in 2002.

Put Options At times, the Company sells put options that entitle the holder of each option to sell to the Company, by physical delivery, shares of common stock at a specified price. These options are recorded as equity as physical settlement is prescribed, although NCR may elect another means of settlement. However, amounts relating to the Company's repurchase obligations at the balance sheet date are reclassified to temporary equity until such time as the option is settled. In the third quarter of 2002, the Company sold put options for 0.4 million shares of common stock. These were exercised during the fourth quarter of 2002 at an average price of $25.24 per share. There were no put options outstanding at December 31, 2002. These put options were designated as part of the repurchase program approved by NCR's Board of Directors on November 21, 2000. NCR received net premiums related to Company put options of approximately $1 million in 2002. The put option activity is summarized as follows:

	Put Options Outstanding	
	Number of Options	Potential Obligations
In millions		
December 31, 2000	--	$ --
Sales	0.4	14.8
Exercises / Retirements	(0.4)	(14.8)
December 31, 2001	--	--
Sales	0.4	10.1
Exercises / Retirements	(0.4)	(10.1)
December 31, 2002	--	$ --

Note 9 Employee Benefit Plans

Pension and Postretirement Plans NCR sponsors defined benefit plans for substantially all U.S. employees and the majority of international employees. For salaried employees, the defined benefit plans are based primarily upon compensation and years of service. For certain hourly employees in the United States, the benefits are based on a fixed dollar amount per year of service. NCR's funding policy is to contribute annually not less than the minimum required by applicable laws and regulations. Assets of NCR's defined benefit plans are primarily invested in publicly traded common stocks, corporate and government debt securities, real estate investments and cash or cash equivalents.

Prior to September 1998, substantially all U.S. employees who reached retirement age while working for NCR were eligible to participate in a postretirement benefit plan. The plan provides medical care and life insurance benefits to retirees and their eligible dependents. In September 1998, the plan was amended whereby U.S. participants who had not reached a certain age and years of service with NCR were no longer eligible for such benefits. Non-U.S. employees are typically covered under government sponsored programs, and NCR generally does not provide postretirement benefits other than pensions to non-U.S. retirees. NCR generally funds these benefits on a pay-as-you-go basis.

Reconciliation of the beginning and ending balances of the benefit obligations for NCR's pension and postretirement benefit plans were:

In millions	U.S Pension Benefits 2002	U.S Pension Benefits 2001	International Pension Benefits 2002	International Pension Benefits 2001	Postretirement Benefits 2002	Postretirement Benefits 2001
Change in benefit obligation						
Benefit Obligation at January 1	$2,494	$2,408	$1,127	$1,185	$347	$332
Gross service cost	43	43	34	35	--	1
Interest Cost	175	171	68	63	24	25
Amendments	--	--	(1)	3	(16)	--
Actuarial Loss	148	24	76	(12)	35	31
Benefits paid	(160)	(152)	(71)	(88)	(43)	(42)
Currency translation adjustments	--	--	147	(57)	--	--
Other	--	--	--	(2)	--	--
Benefit Obligation at December 31	$2,700	$2,494	$1,380	$1,127	$347	$347

A reconciliation of the beginning and ending balances of the fair value of the plan assets of NCR's pension plans follows:

In millions	U.S Pension Benefits 2002	U.S Pension Benefits 2001	International Pension Benefits 2002	International Pension Benefits 2001
Change in plan assets				
Fair value of plan assets at January 1	$2,686	$3,026	$1,089	$1,514
Actual return on plan assets	(327)	(196)	(56)	(332)
Company contributions	9	8	46	51
Benefits paid	(160)	(152)	(71)	(88)
Currency translation adjustments	--	--	128	(51)
Other	--	--	2	(5)
Fair value of plan assets at December 31	$2,208	$2,686	$1,138	$1,089

In 2002, global capital market developments resulted in negative returns on NCR's pension funds and a decline in the discount rate used to estimate the pension liability. As a result, the accumulated benefit obligation exceeded the fair value of plan assets and NCR was required to adjust the minimum pension liability recorded in the consolidated balance sheet. This $841 million charge decreased prepaid pension costs by $523 million, increased pension liabilities by $325 million, increased intangible assets by $7 million, increased deferred taxes by $290 million and increased other comprehensive loss by $551 million. This non-cash charge did not affect our 2002 earnings, cash flow or debt covenants, nor did it otherwise impact the business operations of the Company.

Accrued pension and postretirement benefit assets (liabilities) included in NCR's consolidated balance sheets at December 31 were:

In millions	U.S Pension Benefits 2002	U.S Pension Benefits 2001	International Pension Benefits 2002	International Pension Benefits 2001	Postretirement Benefits 2002	Postretirement Benefits 2001
Reconcilliation to balance sheet						
Funded status	$(492)	$192	$(242)	$(38)	$(347)	$(347)
Unrecognized net loss	951	190	731	410	74	40
Unrecognized prior service cost (benefit)	5	14	25	31	(33)	(26)
Unrecognized transition asset	(4)	(6)	1	1	--	--
Net amount recognized	$ 460	$390	$ 515	$404	$(306)	$(333)
Total recognized amounts consist of:						
Prepaid benefit cost	$ --	$471	$ 769	$633	$ --	$ --
Accrued benefit liability	(366)	(89)	(310)	(254)	(306)	(333)
Intangible asset	8	--	3	3	--	--
Accumulated other comprehensive income	818	8	53	22	--	--
Net amount recognized	$ 460	$390	$ 515	$404	$(306)	$(333)

The weighted average rates and assumption utilized in accounting for these plans for the years ended December 31 were:

	U.S Pension Benefits			International Pension Benefits			Postretirement Benefits		
	2002	2001	2000	2002	2001	2000	2002	2001	2000
Discount rate	6.8%	7.3%	7.5%	5.6%	6.0%	5.9%	6.8%	7.3%	7.5%
Expected return on plan assets	10.0%	10.0%	10.0%	8.9%	9.5%	10.1%	--	--	--
Rate of compensation increase	4.4%	4.4%	4.4%	3.7%	3.6%	3.6%	4.3%	4.3%	4.3%

For postretirement benefit measurement purposes, NCR assumed growth in the per capita cost of covered health care benefits (the health care cost trend rate) would gradually decline from 10% and 6.0%, pre-65 and post-65, respectively, in 2002 to 5.0% by the year 2009. In addition, a one percentage point change in assumed health care cost trend rates would have the following effect on the postretirement benefit costs and obligation:

	1% Increase	1% Decrease
In millions		
2002 service cost and interest cost	$ 2	$ (1)
Postretirement benefit obligation at December 31, 2002	24	(23)

The net periodic benefit (income) cost of the plans for the years ended December 31 are as follows:

	U.S Pension Benefits			International Pension Benefits			Postretirement Benefits		
	2002	2001	2000	2002	2001	2000	2002	2001	2000
In millions									
Net service cost	$ 43	$ 43	$ 45	$ 33	$ 34	$ 33	$--	$ 1	$ 1
Interest cost	175	171	168	68	63	66	24	25	24
Expected return on plan assets	(288)	(308)	(286)	(128)	(123)	(128)	--	--	--
Settlement charge (credit)	--	--	--	1	15	(8)	--	--	--
Curtailment charge (credit)	--	--	1	3	--	(1)	--	--	--
Amortization of:									
Transition asset	(2)	(12)	(12)	--	(8)	(9)	--	--	--
Prior service cost	10	11	12	7	11	11	(9)	(13)	(12)
Actuarial loss (gain)	1	(26)	(21)	3	5	5	1	--	--
Net benefit (income) cost	$ (61)	$(121)	$ (93)	$ (13)	$ (3)	$ (31)	$16	$ 13	$ 13

For pension plans with accumulated benefit obligations in excess of plan assets, the projected benefit obligation, accumulated benefit obligation and fair value were $3,105 million, $2,924 million and $2,265 million, respectively, at December 31, 2002, and $439 million, $378 million and $39 million, respectively, at December 31, 2001.

Savings Plans All U.S. employees and many international employees participate in defined contribution savings plans. These plans generally provide either a specified percent of pay or a matching contribution on participating employees' voluntary elections. NCR's matching contributions typically are subject to a maximum percentage or level of compensation. Employee contributions can be made pre-tax, after-tax or a combination thereof. The expense under the U.S. plan was approximately $24 million in 2002 and $28 million in each of 2001 and 2000. The expense under international and subsidiary savings plans was $10 million, $9 million and $7 million in 2002, 2001 and 2000.

Other Postemployment Benefits NCR offers various postemployment benefits to involuntarily terminated and certain inactive employees after employment but before retirement. These benefits are paid in accordance with NCR's established postemployment benefit practices and policies. Postemployment benefits may include disability benefits, supplemental unemployment benefits, severance, workers' compensation benefits, and continuation of health care benefits and life insurance coverage. NCR provides appropriate accruals for these postemployment benefits. These postemployment benefits are funded on a pay-as-you-go basis. The expense under these plans was approximately $75 million, $37 million and $21 million for 2002, 2001 and 2000, respectively. The accrued postemployment liability at December 31, 2002 and 2001 was $99 million and $115 million, respectively.

Note 10 Financial Instruments

In the normal course of business, NCR enters into various financial instruments, including derivative financial instruments. These instruments primarily consist of foreign exchange forward contracts and options that are used to reduce the Company's exposure to changes in currency exchange rates. Derivatives used as a part of NCR's risk management strategy, which are designated at inception as highly effective cash-flow hedges, are measured for effectiveness both at inception and on an ongoing basis, with gains or losses deferred in other comprehensive income until the underlying hedged transaction is realized, canceled or otherwise terminated. The forward contracts and options generally mature within 12 months. The majority of NCR's foreign exchange forward contracts were to exchange pounds, euro and yen.

NCR has hedged certain foreign currency transactions of a long-term investment nature (net investments in foreign operations) with the resulting gains and losses recorded in the currency translation adjustment component of stockholders' equity. Foreign exchange contracts that are not used to hedge currency transactions of a long-term investment nature, or that are not designated as cash flow hedges, are recognized in the determination of income as exchange rates change.

Letters of Credit Letters of credit are purchased guarantees that ensure NCR's performance or payment to third parties in accordance with specified terms and conditions. Letters of credit may expire without being drawn upon. Therefore, the total notional or contract amounts do not necessarily represent future cash flows.

Fair Value of Financial Instruments The fair values of debt and foreign exchange contracts are based on market quotes of similar instruments. The fair values of letters of credit are based on fees charged for similar agreements. The table below presents the fair value, carrying value and notional amount of foreign exchange contracts, debt and letters of credit at December 31, 2002 and 2001. The notional amounts represent agreed-upon amounts on which calculations of dollars to be exchanged are based, and are an indication of the extent of NCR's involvement in such instruments. These notional amounts do not represent amounts exchanged by the parties and, therefore, are not a measure of the instruments.

In millions	Contract Notional Amount	Carrying Amount Asset	Carrying Amount Liability	FairValue Asset	FairValue Liability
2002					
Foreign exchange forward contracts	$ 90	$ 5	$ 14	$ 5	$ 14
Debt	--	--	306	--	327
Letters of credit	43	--	--	--	--
2001					
Foreign exchange forward contracts	$881	$15	$ 3	$15	$ 3
Foreign currency options	132	--	1	--	1
Debt	--	--	148	--	149
Letters of credit	50	--	--	--	--

Fair values of financial instruments represent estimates of possible value that may not be realized in the future.

Concentration of Credit Risk NCR is 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. NCR's 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, the Company could be exposed to potentially significant losses. Moreover, the continued downturn in the U.S. economy could have an adverse impact on the ability of our customers to pay their obligations on a timely basis. However, management believes that the reserves for potential losses are adequate. At December 31, 2002 and 2001, NCR did not have any major concentration of credit risk related to financial instruments.

Investment in Marketable Securities During the fourth quarter of 2002, NCR recognized a loss of $14 million for certain marketable securities in Japan that were considered other than temporarily impaired. The fair value of the Company's investments in marketable securities in aggregate was $38 million and $73 million at December 31, 2002 and 2001, respectively. The cost basis of the Company's investments in marketable securities was $43 million and $69 million at December 31, 2002 and 2001, respectively.

Note 11 Commitments and Contingencies

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 GAAP, are adequate in light of the probable and estimable liabilities. However, there can be no assurances that the actual amounts required to satisfy alleged liabilities from various lawsuits, claims, legal proceedings and other matters, including the Fox River environmental 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 or cash flows. Any costs that may be incurred in excess of those amounts provided as of December 31, 2002 cannot currently be reasonably 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 clean-up 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 (CERCLA), as amended, and comparable state statutes.

NCR is one of seven entities that have been formally notified by governmental and other entities (such as local Native American tribes) that they are PRPs for environmental claims under CERCLA and other statutes arising out of the presence of polychlorinated biphenyls (PCBs) in sediments in the lower Fox River and in the Bay of Green Bay, in Wisconsin. NCR was identified as a PRP because of alleged PCB discharges from two carbonless copy paper manufacturing facilities it previously owned, which are located along the Fox River. Some parties contend that NCR is also responsible for PCB discharges from paper mills owned by other companies because carbonless paper manufactured by NCR was purchased by those mills as a raw material for their paper making processes. NCR sold the facilities in 1978 to the present owner, Appleton Papers Inc. (API), which has also been identified as a PRP. The other Fox River PRPs include P.H. Glatfelter Company, Georgia Pacific (formerly Fort James), WTM1 Co. (formerly Wisconsin Tissue, now owned by Chesapeake Corporation), Riverside Paper Corporation, and U.S. Paper Mills Corp. (owned by Sonoco Products Company).

The governmental and other entities making such claims against NCR and the other PRPs have agreed to coordinate their actions, including the assertion of claims against the PRPs. Additionally, certain claimants have notified NCR and the other PRPs of their intent to commence a natural resource damage (NRD) lawsuit, but have not as yet instituted litigation; and one of the claimants, the U.S. Environmental Protection Agency (USEPA), has formally proposed the Fox River site for inclusion on the CERCLA National Priorities List, but no action has yet been taken on this proposal.

As of the end of 2002, NCR's reserve for the Fox River matter was approximately $56 million. In 2001, NCR adjusted its reserve to account for the government's proposed clean-up plan, which included certain estimates regarding the total clean-up costs associated with the Fox River, among other things. The Company regularly re-evaluates the assumptions used in determining the appropriate reserve for the Fox River matter as additional information becomes available and, when warranted, make appropriate adjustments.

NCR's potential liability has been highly uncertain and continues to be so at this time. NCR's eventual liability - which is expected to be paid out over the next 20-40 or more years - will depend on a number of factors. In general, these factors include: (1) the total clean-up costs for the site; (2) the total natural resource damages for the site; (3) the share NCR and API will jointly bear of the total clean-up costs and natural resource damages as former and current owners of paper manufacturing facilities located along the Fox River; (4) the share NCR will bear of the joint NCR/API payments for clean-up costs and natural resource damages; and (5) NCR's transaction costs to defend itself in this matter. In setting the reserve, NCR has attempted to estimate a range of reasonably possible outcomes for each of these factors, although each range is itself highly uncertain. NCR used its best estimate within the range if that is possible. Where there is a range of equally probable outcomes, and there is no amount within that range that appears to be a better estimate than any other amount, NCR used the low-end of the range. Each of these factors is discussed below:

.. For the first factor described above, total clean-up costs for the site, NCR determined that there is a range of equally probable outcomes, and that no estimate within that range was better than the other estimates. Accordingly, NCR used the low-end of that range, which was the government's estimate of the clean-up costs as set forth in the proposed clean-up plan. This amount was $370 million; however there can be no assurances that this amount will not be significantly higher. For example, one consultant has expressed an opinion that total clean-up costs for the site could be approximately $1.1 billion. In relying on the government estimates for clean-up

costs, we assumed that neither the amount of dredging undertaken nor the cost per cubic yard of the dredging will vary significantly from the amounts contained in the proposed plan. The goverment's final clean-up plan for the first two areas of the Fox River that was released in January 2003, is generally consistent with the estimates for the corresponding portions of the proposed plan.

.. Second, for total natural resource damages, NCR also determined that there is a range of equally probable outcomes, and that no estimate within that range was better than the other estimates. Accordingly, NCR used the low-end of that range, which was the lowest estimate in a 2000 government report on natural resource damages. This amount was $176 million.

.. Third, for the NCR/API share of clean-up costs and natural resource damages, NCR examined figures developed by several independent, nationally-recognized engineering and paper-industry experts, along with those set forth in draft government reports. Again, the Company determined that there is a range of equally probable outcomes, and that no estimate within that range was better than the other estimates. Accordingly, NCR used the low-end of that range, which was primarily an estimate of the joint NCR/API percentage of direct discharges of PCBs to the river.

.. Fourth, for the NCR share of the joint NCR/API payments, the Company estimated to pay approximately half of the total costs jointly attributable to NCR/API. This is based on a sharing agreement between NCR and API, the terms of which are confidential. This factor assumes that API is able to pay its share of the NCR/API joint share.

.. Finally, for NCR's transaction costs to defend this matter, the Company estimated the costs that are likely to be incurred over the four-year period covered by the NCR/API interim settlement with the government (which is described below). This estimate is based on NCR's costs since this matter first arose in 1995 and estimates of what the Company's defense costs will be in the future.

NCR does not expect that there are any significant near-term changes to any of the above-described estimates that are likely to have a material effect on the amount of our accrual. However, there are other estimates for each of these factors which are significantly higher than the estimates described above. NCR believes there is such uncertainty surrounding these estimates that it cannot quantify the high-end of the range of such estimates.

NCR has discussed above the Company's overall, long-term exposure to the Fox River liability. However, NCR also has limited short-term liability for this matter. In December 2001, NCR and API entered into an interim settlement with the governmental agencies that limits NCR/API's joint cash payouts to $10.375 million per year over a four-year period beginning at the time of such interim settlement. Any portion of an annual $10.375 million installment not paid out in a given year will be rolled over and made available for payment during subsequent years up until December 10, 2005. In exchange for these payments, the governmental agencies have agreed not to take any enforcement actions against NCR and API during the term of the settlement. These payments are being shared by NCR and API under the terms of the confidential settlement agreement discussed above and will be credited against NCR's long-term exposure for this matter.

It is difficult to estimate the future financial impact of environmental laws, including potential liabilities. NCR records 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 (except for the Fox River site where the estimated clean-up costs are taken directly from the governmental agencies' proposed clean-up plan and 2003 final clean-up plan for the first two parts of the Fox River), 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. The amounts provided for environmental matters in NCR's consolidated financial statements are the estimated gross undiscounted amounts of such liabilities (except for the Fox River site where the governmental agencies' proposed clean-up plan estimates certain long-term costs at net present worth), without deductions for insurance or third-party indemnity claims. Except for the sharing arrangement described above with respect to the Fox River site, 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 would be reflected as receivables in the consolidated financial statements.

Legal Matters

Legal Proceedings In response to patent infringement assertions by LG Electronics (LGE), NCR filed suit against LGE in federal court in Ohio in June 2002 for a declaratory judgment that NCR's products do not infringe a number of LGE patents, primarily related to Intel chip technology. NCR also asserted claims that LGE products infringe several NCR e-commerce related patents. LGE filed counterclaims seeking damages and injunctive relief for alleged patent

infringement by NCR. In addition, in August 2002, LGE filed suit against NCR Corporation, NCR Financial Solutions Ltd. and a third party in patent court in the United Kingdom alleging that NCR products infringe British counterparts of two of the patents at issue in the Ohio case. The Ohio case has been stayed at the request of both parties, and the British court has scheduled a hearing on potentially decisive preliminary issues for June 2003. Based upon the information presently available, no loss is probable in either case and we have not taken a reserve. If LGE were to prevail on its patent infringement claims, however, NCR could be subject to remedies that could have a material impact on the Company's operations.

In January 2001, NCR was joined to defend counterclaims in a case filed in Georgia state court in 1991 by Compris Technologies, Inc. (Compris), a software development company acquired by NCR through a stock purchase in 1997. Compris brought this suit against Techwerks, Inc. and related parties for breach of various provisions of a 1989 Asset Purchase and General Release Agreement pursuant to which Compris acquired rights to the Compris software. The defendants filed counterclaims seeking actual and punitive damages, in addition to the return of the Compris software and all derivative works, for alleged breaches of contract and conversion. In October 2002, the court granted NCR's motion for summary judgment and dismissed it from the case, finding no successor liability as to NCR Corporation. However, the court denied in part Compris' motion for summary judgment, permitting certain contract claims against Compris to go forward. NCR believes the claims against Compris are without merit. If Techwerks were to prevail, however, Compris could be subject to remedies that could have a material impact on the Company's operations.

Other Matters Pursuant to NCR's divestiture from AT&T Corp. in 1996, NCR is a party to mutual indemnification provisions that obligate NCR, AT&T and Lucent Technologies, Inc. to partially indemnify each other for certain liabilities accrued prior to the divestiture exceeding a threshold amount. NCR's share over the threshold amount for AT&T and Lucent liabilities is 3%. On August 9, 2002, Lucent notified NCR that it had entered into an out-of-court settlement of multiple class action lawsuits against Lucent and participants, and that Lucent intends to make a claim for contribution against NCR in accordance with the divestiture agreement. These lawsuits claimed damages for allegedly excessive charges in connection with leased residential telephone business operated by AT&T from 1984 until 1996, and thereafter by Lucent. Pursuant to the proposed settlement and the terms of the divestiture agreement, NCR established a $9 million pre-tax reserve for its estimated share of the proposed settlement-related costs. The actual cost of the settlement to NCR may be different depending on the number of claims submitted and accepted. NCR has not been advised of any other claims from AT&T or Lucent that presently appear likely to exceed the indemnity threshold in the divestiture agreement.

Guarantees and Product Warranties Guarantees associated with NCR's business activities are reviewed for appropriateness and impact to the Company's financial statements. During 2002, NCR's customers entered into various leasing arrangements coordinated by NCR with a leasing partner. These leases ranged in term from 31 months to 45 months. In some instances, NCR guarantees the leasing partner a minimum value at the end of the lease term on the leased equipment. In 2002, the maximum future payment obligation of this guaranteed value was $7 million; an associated liability of $6 million was also recorded.

NCR has equity investments in certain affiliates who have issued debt guarantees ranging from three to five years in length. Upon default, NCR's maximum amount of future payment obligation on these guarantees was $3 million in 2002, and no associated liability was recorded.

In support of NCR's global operations' use of suppliers and government obligations, the Company provides, through various local banks, payment guarantees and standby letters of credit. If the local organization is not able to make payment, the supplier or government agency may draw on the pertinent bank. In 2002, maximum future payment obligations relative to these various guarantees were $19 million of which NCR maintains a $1 million recorded liability.

NCR provides its customers a standard manufacturer's warranty and records, at the time of the sale, a corresponding estimated liability for potential warranty costs. Estimated future obligations due to warranty claims are based upon historic factors such as labor rates, average repair time, travel time, number of service calls per machine, and cost of replacement parts. Each business unit consummating a sale recognizes the total customer revenue and records the associated warranty liability using pre-established warranty percentages for that product class. Any additional warranty coverage requested by NCR's customers is accounted for as a maintenance contract and revenue is recognized over the contract life. The following table identifies the activity relating to the warranty reserve for 2002:

In millions

Warranty reserve liability	
Beginning balance at January 1, 2002	$18
Accruals for warranties issued during 2002	39
Accruals relating to pre-existing warranties (including changes in accounting estimates)	--
Settlements (in cash or in kind) during 2002	(41)
Ending balance at December 31, 2002	$16

NCR also offers extended warranties to its customers. As described in Note 1 of Notes to Consolidated Financial Statements, NCR accounts for these extended warranties by deferring revenue equal to the fair value of the warranty and recognizes the deferred revenue over the extended warranty term. Amounts associated with these extended warranties are not included in the table above.

NCR provides its customers with indemnifications. In general, these indemnifications provide that NCR will indemnify the customer if a third party asserts patent or other infringement on the part of the customer for its use of the Company's products. The fair value of these indemnifications is not readily determinable.

Leases NCR conducts certain of its sales and manufacturing operations using leased facilities, the initial lease terms of which vary in length. Many of the leases contain renewal options and escalation clauses. Future minimum lease payments under non-cancelable leases as of December 31, 2002 for fiscal years 2003, 2004, 2005, 2006, 2007 and thereafter were $64 million, $49 million, $36 million, $30 million, $26 million and $137 million, respectively. In addition to the future minimum lease payments, NCR entered into an assigned lease guarantee in the United Kingdom that expires in 2010. The maximum future obligation of this assigned lease is $4 million. Total rental expense for operating leases was $71 million, $81 million and $83 million in 2002, 2001 and 2000, respectively.

Note 12 Segment Information and Concentrations

Operating Segment Information As part of NCR's re-engineering plan, the Company's executive management team made a number of strategic changes in how the Company manages its businesses. NCR is now managed through the following business units which are also the Company's operating segments: (1) Data Warehousing, (2) Financial Self Service, (3) Retail Store Automation, (4) Payment and Imaging, (5) Systemedia, (6) Customer Services and (7) Other, which primarily relates to third party hardware and related installation services in our high availability and networking services businesses and to a business that is not aligned to NCR's other segments.

NCR's Data Warehousing solutions serve a multitude of industries including retail, financial, telecommunications, transportation, insurance, utilities and electronic commerce, as well as consumer manufacturing and government entities. The Company's Financial Self Service solutions offer a complete line of ATM hardware and software, and related services, enabling businesses to reduce costs, generate new revenue streams and build customer loyalty. Financial Self Service solutions primarily serve the financial services industry, with particular focus on retail banking. NCR's Retail Store Automation solutions are designed to improve selling productivity and checkout processes, and increase service levels. Primarily serving the retail industry, Retail Store Automation solutions deliver traditional point-of-sale, web-enabled kiosk, self-checkout and electronic shelf label solutions. Systemedia develops, produces and markets a complete line of business consumables and products. The Company's Payment and Imaging solutions are designed to digitally capture, process and retain item-based transactions, thereby helping businesses reduce operating costs and increase efficiency. Payment and Imaging solutions mainly serve the financial services industry. Services are an essential component of each of our complete solution offerings, and the Customer Services division is a global leader in IT services delivery.

In recognition of the volatility of the effects of pension on operating income and to maintain operating focus on and analysis of business performance improvement, pension income or expense is excluded from segment operating income when evaluating business unit performance and is separately delineated to reconcile back to total Company reported operating income.

Installation-related services constitutes implementation and installation services within each segment and is an integral part of NCR's Customer Services segment. Operating management teams in Data Warehousing, Financial Self Service, Retail Store Automation, Payment and Imaging and Other, are accountable for the installation-related services revenue and operating income related to their respective businesses. Customer Services has shared responsibilities for installation-related services revenue and operating income for each segment, except Data Warehousing. As such, this revenue and operating income is also included in the results of the Customer Services segment. To reconcile back to total Company reported revenue and operating income, the installation-related services included in both the business segments and the Customer Services segment is adjusted.

The following table presents revenue by segment for the years ended December 31:

In millions	2002	2001	2000
Revenue by segment			
Data Warehousing			
Products	$ 668	$ 623	$ 670
Professional and Installation-related services	334	334	291
Data Warehousing solution revenue	1,002	957	961
Data Warehousing Customer Service maintenance revenue	224	192	173
Total Data Warehousing revenue	1,226	1,149	1,134
Financial Self Service			
Products	912	939	937
Professional and Installation-related services	183	175	140
Total Financial Self Service revenue	1,095	1,114	1,077
Retail Store Automation			
Products	504	622	665
Professional and Installation-related services	210	212	229
Total Retail Store Automation revenue	714	834	894
Systemedia	518	503	502
Payment and Imaging			
Products	115	121	116
Professional and Installation-related services	37	65	69
Total Payment and Imaging revenue	152	186	185
Customer Services			
Products	2	2	14
Professional and Installation-related services	218	318	353
Customer Service Maintenance:			
Financial Self Service	516	501	434
Retail Store Automation	462	438	465
Payment and Imaging	107	115	119
Other	486	594	560
Total Customer Services revenue	1,791	1,968	1,945
Other			
Products	166	238	274
Professional and Installation related services	121	166	225
Total Other revenue	287	404	499
Elimination of installation-related services revenue included in both the Customer Services segment and the other segments	(198)	(241)	(277)
Total revenue	$5,585	$5,917	$5,959

Reconciliation to consolidated product and services revenues:

	2002	2001	2000
Total product revenue	$2,885	$3,048	$3,178
Total services revenue	2,700	2,869	2,781
Total revenue	$5,585	$5,917	$5,959

The following table presents operating income (loss) by segment for the years ended December 31:

	2002	2001	2000
Operating Income by segment			
Data Warehousing	$112	$(53)	$ (60)
Financial Self Service	115	168	143
Retail Store Automation	(57)	10	4
Systemedia	6	1	8
Payment and Imaging	19	17	18
Customer Services	37	170	215
Other	(46)	(58)	(21)
Pension income	74	124	124
Elimination of installation-related services operating income included in both the Customer Services segment and the other segments	(50)	(78)	(128)
Income from operations excluding goodwill amortization and reconciling items	$210	$301	$ 303
Goodwill amortization included in income from operations	--	(67)	(33)
Adjustments to reconcile operating income (loss) to GAAP /1/	(21)	(48)	(65)
Consolidated operating income	$189	$186	$ 205

/1/ Income from operations by segment for 2002 excludes real estate consolidation and restructuring charges of $16 million and asset impairment charges of $5 million. Income from operations by segment for 2001 excludes a $39 million provision for loans and receivables related to CCC and $9 million of integration costs related to acquisitions. Income from operations by segment for 2000 excludes $38 million for restructuring and other related charges, $2 million for integration costs related to acquisitions and $25 million for in-process R&D charges.

The assets attributable to NCR's segments consist primarily of accounts receivable, inventories, manufacturing assets, capitalized software and goodwill dedicated to a specific solution. Assets not attributable to segments consist primarily of fixed assets not dedicated to a specific segment, deferred tax assets, prepaid pension costs, cash, cash equivalents and short-term investments. Segment assets at December 31 were:

	2002	2001	2000
In millions			
SEGMENT ASSETS			
Data Warehousing	$ 531	$ 549	$ 541
Financial Self Service	431	408	445
Retail Store Automation	299	278	324
Systemedia	184	196	207
Payment and Imaging	50	55	58
Customer Services	464	476	519
Other	62	404	488
Segment assets	2,021	2,366	2,582
Assets not attributable to segments	2,651	2,489	2,524
Consolidated assets	$4,672	$4,855	$5,106

Revenues are attributed to geographic areas/countries based principally upon the geographic area/country to which the product is delivered or in which the service is provided. The following table presents revenue by geographic area for NCR for the years ended December 31:

In millions	2002	%	2001	%	2000	%
REVENUE BY GEOGRAPHIC AREA						
United States	$2,396	43%	$2,550	43%	$2,707	45%
Americas (excluding United States)	383	7%	459	8%	432	7%
Europe/Middle East/Africa	1,671	30%	1,788	30%	1,681	28%
Japan	483	9%	504	9%	576	10%
Asia/Pacific (excluding Japan)	652	11%	616	10%	563	10%
Consolidated revenue	$5,585	100%	$5,917	100%	$5,959	100%

The following table presents certain long-lived assets, primarily composed of property, plant and equipment, prepaid pension, capitalized software and goodwill by country at December 31:

In millions	2002	2001	2000
LONG-LIVED ASSETS			
United States	$ 610	$1,251	$1,279
Japan	154	201	228
All other countries	1,082	1,074	1,105
Consolidated long-lived assets	$1,846	$2,526	$2,612

Concentrations No single customer accounts for more than 10% of NCR's consolidated revenue. As of December 31, 2002, NCR is not aware of any significant concentration of business transacted with a particular customer that could, if suddenly eliminated, have a material adverse impact on NCR's operations. NCR also does not have a concentration of available sources of labor, services, licenses or other rights that could, if suddenly eliminated, have a material adverse impact on its operations.

A number of NCR's products, systems and solutions rely primarily on specific suppliers for microprocessors and other component products, manufactured assemblies, operating systems, commercial databases and other central components. There can be no assurances that any sudden impact to the availability or cost of these technologies would not have a material adverse impact on NCR's operations.

Note 13 Quarterly Information (unaudited)

In millions, except per share amounts	First/1/	Second	Third	Fourth	Total
2002					
Total revenues	$1,247	$1,380	$1,377	$1,581	$5,585
Gross margin	350	401	396	440	1,587
Operating income (loss)	9	51	53	76	189
Net (loss) income	(344)	26	41	57	(220)
Net (loss) income per share:					
Basic	$(3.51)	$ 0.26	$ 0.42	$ 0.58	$(2.25)
Diluted	(3.41)	0.25	0.42	0.57	(2.21)
2001					
Total revenues	$1,376	$1,499	$1,442	$1,600	$5,917
Gross margin	410	463	408	513	1,794
Operating income (loss)	(19)	59	35	111	186
Net income (loss)	117	35	(6)	71	217
Net income (loss) per share:					
Basic	$ 1.22	$ 0.36	$(0.07)	$ 0.73	$ 2.25
Diluted	1.18	0.35	(0.07)	0.72	2.18

/1/ The net loss, net loss per basic share and the net loss per diluted share, includes the impact of the cumulative effect of accounting change of $348 million (net-of-tax) related to the goodwill transitional write-down. The transitional analysis was completed after the filing of the first quarter Form 10-Q and the effect of this write-down was retroactively recorded as of January 1, 2002. The Form 10-Q filed as of March 31, 2002, did not contain the impact of this transitional write-down.

NCR Corporation
Selected Financial Data

For the year ended December 31	2002/1/	2001/2/	2000/3/	1999/4/	1998/5/
In millions, except per share amounts					
Revenue	$ 5,585	$ 5,917	$ 5,959	$ 6,196	$ 6,505
Income from operations	189	186	205	78	102
Other expense (income), net	58	62	(70)	(157)	(110)
Income tax expense (benefit)	3	(97)	97	(102)	90
Net (loss) income	(220)	217	178	337	122
Net (loss) income per common share					
Basic	$ (2.25)	$ 2.25	$ 1.87	$ 3.45	$ 1.21
Diluted	(2.21)	2.18	1.82	3.35	1.20
At December 31					
Total assets	$ 4,672	$ 4,855	$ 5,106	$ 4,895	$ 4,892
Debt	311	148	107	77	83
Stockholders' equity	1,325	2,027	1,758	1,596	1,447
Cash dividends	--	--	--	--	--
Number of employees and contractors	30,100	31,400	32,900	32,800	33,100

/1/ Income from operations for 2002 includes real estate consolidation and restructuring charges of $16 million and asset impairment charges of $5 million. Net income includes a $348 million cumulative effect of accounting change charge for goodwill impairment relating to the adoption of Statement of Financial Accounting Standards No. 142, real estate consolidation impairment charges of $8 million, marketable securities write-down to fair value in Japan of $14 million, a charge of $9 million for a Lucent indemnification claim, and an income tax benefit of $35 million relating to tax refunds, tax planning and use of foreign tax credits.

/2/ Income from operations for 2001 includes a $39 million provision for loans and receivables related to CCC, $9 million of integration costs related to acquisitions and $67 million of goodwill amortization. Net income for 2001 includes the after-tax impacts of a $39 million provision for loans and receivables with CCC, $9 million of integration costs related to acquisitions, $40 million for a charge associated with the Fox River environmental matter, a $1 million provision for interest receivables related to CCC, a $138 million tax benefit from the resolution of international income tax issues, $4 million cumulative effect of adopting Statement of Financial Accounting Standards No. 133 and $74 million of goodwill amortization.

/3/ Income from operations for 2000 includes $38 million for restructuring and other related charges, $25 million for in-process R&D charges related to acquisitions, $2 million for integration costs related to acquisitions and $33 million of goodwill amortization. Net income for 2000 includes the after-tax impact of goodwill amortization of $39 million.

/4/ Income from operations for 1999 includes $125 million for restructuring and other related charges and $20 million of goodwill amortization. Net income for 1999 includes the after-tax impacts of $125 million for restructuring and other related charges, $98 million of gains from significant asset dispositions, $232 million of favorable impact from a tax valuation allowance release and $23 million of goodwill amortization.

/5/ Income from operations for 1998 includes a $50 million non-recurring pension charge. Net income for 1998 includes the after-tax impacts of $50 million for a non-recurring pension charge and a $55 million significant gain from an asset disposition.

EXHIBIT 21

SUBSIDIARIES OF NCR CORPORATION

	Organized under the Laws of
NCR Hungary LLC	Delaware
NCR Espana LLC	Delaware
NCR Italia LLC	Delaware
Data Pathing LLC	Delaware
Quantor LLC	Delaware
Compris Technologies, Inc.	Georgia
CVSI Inc.	Delaware
CVSI Holdings, Inc.	Delaware
Data Pathing Incorporated	Delaware
Gasper Corporation	Ohio
International Investments Inc.	Delaware
The Microcard Corporation	Delaware
The National Cash Register Company	Maryland
NCR Autotec Inc.	Delaware
NCR European Logistics, Inc.	Delaware
The NCR Foundation	Ohio
NCR Government Systems Corporation	Delaware
NCR International, Inc.	Delaware
NCR International Holdings, Inc.	Delaware
NCR Ivory Coast, Inc.	Delaware
NCR Merger Sub Parent, Inc.	Delaware
NCR Nigeria Holdings Inc.	Delaware
NCR Overseas Trade Corporation	Delaware
NCR Personnel Services Inc.	Delaware
NCR Scholarship Foundation	Ohio
NCR Venture Fund, L.L.C.	Delaware
North American Research Corporation	Delaware
Old River Software Inc.	Delaware
The Permond Solutions Group, Inc.	Delaware
Quantor Corporation	Delaware
Research Computer Services, Inc.	Delaware
Sparks, Inc.	Ohio
Teradata Corporation	Delaware
Teradata International Corporation	Delaware
NCR Argentina S.A.	Argentina
NCR Australia Pty. Limited	Australia
NCR Superannuation Nominees, Ltd.	Australia
NCR Oesterreich Ges.m.b.H.	Austria
NCR (Bahrain) W.L.L.	Bahrain
NCR Belgium & Co. SNC	Belgium
NCR (Bermuda) Limited	Bermuda
NCR Services Limited	Bermuda
Global Assurance Limited	Bermuda
NCR Brasil Ltda	Brazil
NCR Monydata Ltda.	Brazil
NCR Canada Ltd.	Canada
The Permond Solutions Group Limited	Canada
NCR de Chile, S.A.	Chile
NCR (Shanghai) Technology Services Ltd.	China
NCR Information Systems (Beijing) Limited	China
NCR Colombia S.A.	Colombia

NCR (Cyprus) Limited	Cyprus
NCR (Middle East) Limited	Cyprus
NCR (North Africa) Limited	Cyprus
NCR (IRI) Ltd.	Cyprus
NCR Danmark A/S	Denmark
NCR Dominicana C. por A.	Dominican Republic
NCR Finland Oy	Finland
NCR France SNC	France
NCR Antilles S.A.R.L.	France
4Front Technologies SA France	France
NCR Gabon S.A.R.L.	Gabon
NCR Holding GmbH	Germany
NCR GmbH	Germany
NCR OEM Europe GmbH	Germany
NCR Central and Eastern Europe GmbH	Germany
CVSI Services International GmbH	Germany
NCR Czeska republika spol. s.r.o.	Czech Republic
NCR Ghana Limited	Ghana
NCR (Hellas) S.A.	Greece
NCR (Hong Kong) Limited	Hong Kong
NCR (China) Limited	Hong Kong
NCR (Asia) Limited	Hong Kong
NCR Asia Pacific Logistics Center Limited	Hong Kong
NCR Magyarorszag Kft.	Hungary
NCR Corporation India Private Limited	India
P. T. NCR Indonesia	Indonesia
NCR Global Holdings Limited	Ireland
NCR Global Solutions Limited	Ireland
NCR International Finance Limited	Ireland
NCR Italia S.p.A.	Italy
NCR Japan, Ltd.	Japan
NCR Japan Sales Co., Ltd.	Japan
NCR Holdings Ltd.	Japan
NCR (Kenya) Limited	Kenya
Afrique Investments Ltd.	Kenya
Data Processing Printing and Supplies Limited	Kenya
NCR Korea YH	Korea
NCR (Macau) Limited	Macau
NCR (Malaysia) Sdn. Bhd.	Malaysia
EPNCR (Malaysia) Sdn. Bhd.	Malaysia
Compu Search Sdn Bhd	Malaysia
NCR de Mexico, S.A. de C.V.	Mexico
NCR Nederland N.V.	Netherlands
NCR European Logistics Center BV	Netherlands
NCR EMEA Regional Care Center B.V.	Netherlands
NCR Financial Shared Services Center B.V.	Netherlands
NCR Dutch Holdings B.V.	Netherlands
NCR Dutch Holdings C.V.	Netherlands
CVSI Holdings BV	Netherlands
CVSI Netherlands BV	Netherlands
NCR (NZ) Corporation	New Zealand
NCR (Nigeria) PLC	Nigeria
NCR Norge A/S	Norway
NCR Corporation de Centro-America, S.A.	Panama
NCR del Peru S.A.	Peru
NCR Corporation (Philippines)	Philippines
NCR Software Corporation (Philippines)	Philippines
NCR Polska Sp.z.o.o.	Poland
NCR Portugal-Informatica, Lda	Portugal
NCR Corporation of Puerto Rico	Puerto Rico
NCR A/O	Russia

NCR Singapore Pte Ltd	Singapore
NCR Asia Pacific Pte Ltd.	Singapore
NCR International (South Africa) (Pty) Ltd.	South Africa
NCR Espana, S.A.	Spain
NCR (Switzerland)	Switzerland
National Registrierkassen AG	Switzerland
NCR Systems Taiwan Limited	Taiwan
NCR Taiwan Software Ltd	Taiwan
NCR (Thailand) Limited	Thailand
NCR Bilisim Sistemleri LS	Turkey
NCR UK Group Limited	United Kingdom
NCR UK Holdings Limited	United Kingdom
NCR Limited	United Kingdom
Law 2299 Ltd.	United Kingdom
Fluiditi Ltd.	United Kingdom
NCR Properties Limited	United Kingdom
NCR Financial Solutions Group Limited	United Kingdom
Regis Court Management Limited	United Kingdom
Melcombe Court Management (Marylebone) Limited	United Kingdom
4Front Group Plc	United Kingdom
4Front Group UK Ltd.	United Kingdom
4Front Technologies UK Limited	United Kingdom
Firstpoint Limited	United Kingdom
4Front Networks Limited	United Kingdom
Datapro Computers Group Limited	United Kingdom
4Front Consulting Limited	United Kingdom
4Front e-cademy.com Limited	United Kingdom
Eurographic Industries Limited	United Kingdom
CV Services International (UK) Limited	United Kingdom
4Soft Limited	United Kingdom
CV Services International (UK) Ltd	United Kingdom
NCR Zimbabwe (Private) Limited	Zimbabwe
N Timms & Co. (Private) Limited	Zimbabwe

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (nos. 333-18797, 333-18799, 333-18801 and 333-18803) of NCR Corporation of our report dated January 20, 2003 relating to the consolidated financial statements, which appears in the Annual Report to Stockholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 20, 2003 relating to the Financial Statement Schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Dayton, Ohio
March 13, 2003

EXHIBIT 99

A LETTER FROM OUR EXECUTIVE OFFICERS

Dear Fellow NCR Employees,

NCR is committed to honest and ethical behavior in our relationships with customers, suppliers, employees, governments and the public. As we work toward our goal of profitable growth, it is now more important than ever that we preserve and enhance the reputation upon which this company was built. Retaining our good name is critical, because it's our reputation that encourages people to trust us and do business with us.

NCR's Code of Conduct is a guide to the standards of business conduct that NCR expects from all of its associates, including its employees, officers and directors, and is available worldwide. Although we operate in many countries and are subject to many different rules, regulations, customs and practices, we can only succeed if we adhere to a common set of values and standards. It is essential that all employees worldwide have a personal commitment to meeting these standards because NCR's success and reputation depend upon the performance of each of its employees. Consequently, NCR's Code of Conduct is applicable to all NCR employees worldwide, and we use "NCR" throughout the Code and its related policies to refer to NCR Corporation and each of its subsidiaries.

NCR expects all employees, as well as our officers and directors, to adopt these values in their day-to-day business activities. Widespread adherence to NCR's Shared Values will enhance our long-term success by improving our ability to serve customers, increasing our competitiveness and promoting our pride in being part of NCR.

No matter how much NCR continues to grow and change, our ethics and values will endure. The hectic pace of our business demands that we take risks, but there is no room for compromise of our ethical, moral or legal responsibilities. Inappropriate behavior or improper actions, taken for whatever reasons, are not acceptable and will not be tolerated. Failure to comply with the guidelines stated in the Code will result in appropriate disciplinary action, up to and including termination. You should feel free to raise any questions or issues regarding NCR's Code of Conduct with your manager, local human resource representative, the law department, corporate security or the ethics and compliance office.

To achieve our goal of honest and ethical behavior in our business relationships, NCR requires that all senior management certify compliance with NCR's Code of Conduct on an annual basis. This year's compliance certification process will run from February 10, 2003, to March 21, 2003, and requires management to not only certify their own compliance, but to disseminate the Code to all employees and conduct education/training sessions to ensure every employee has a thorough understanding of NCR's expectations.

The Code of Conduct cannot address specifically every situation that may pose an ethical or moral issue. In all cases, your conduct should be based on your own good judgment and NCR Shared Values, and, if in doubt, you should seek counseling prior to taking any action which may compromise either personal ethical standards or those of NCR. The guidelines set forth in the Code are only a start. What counts is how we follow through at every level.

Regards,

Lars Nyberg	Mark Hurd	Earl Shanks
Chairman and	President and	Senior Vice President and
Chief Executive Officer	Chief Operating Officer	Chief Financial Officer

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- Political Contributions

IN SUMMARY

NCR SHARED VALUES

We use NCR Shared Values to direct our behavior, guide our decisions, and achieve our business objectives.

Highest Standards of Integrity

We are honest and ethical in all our business dealings. We keep our commitments and admit our mistakes. We know our company's reputation is built upon our conduct. We make the NCR name worthy of trust.

Commitment to Excellence

We are committed to uncompromising excellence. We set ever-higher quality standards and work together to continuously improve. We embrace creativity, encourage a growth-oriented culture, and apply innovation in our processes, ideas, products and services - to achieve best-in-class performance.

Customer Dedication

We are dedicated to serving customers by leading our industry in understanding and anticipating customer needs. We create long-term customer relationships by consistently delivering quality, innovation, and value that meet or exceed expectations.

Accountability for Success

We take personal ownership for the success of our company. We are accountable for the resources entrusted to us. We perceive profit as the means to fuel new solutions for our customers, create opportunities for each other, and reward the financial trust of our shareholders, while applying all of our Shared Values.

Respect for Each Other

We base our working relationships upon trust and respect. To be successful, we team globally across boundaries, valuing individual differences. We communicate openly and candidly with each other and extend our team spirit to partners, customers, and the communities, in which we live and work.

INTRODUCTION/EXPLANATION

Purpose of this Code of Conduct

Shared Responsibilities is our single worldwide code of conduct. It is our guide and point of reference for upholding our corporate values. While our principles for business conduct are described in these pages, our code does not cover every situation, nor establish every rule. NCR's corporate policies and procedures, as well as our individual commitment to ethical and legal behavior must also guide NCR associates.

This code applies to all NCR associates, including senior management, directors, independent contractors, and agents. It affirms our commitment to the highest standards of integrity in our relationships with one another and with our customers, suppliers, and shareholders. Because all NCR associates are expected to abide by the provisions of this code of conduct, employees are expected to read it, understand it, and conduct themselves in keeping with its guidelines. And, whenever questions arise, associates are responsible for seeking clarification from their managers, Human Resources, the Ethics & Compliance Officer, NCR AlertLine, the Law Department, or Corporate Security.

Ethics & Compliance Program

This code of conduct is an important component of our corporate Ethics & Compliance Program. Our company's Ethics & Compliance Program assigns oversight responsibility for NCR's business ethics program to a committee, which includes senior management, representatives from the Law, Global Human Resources, and Chief Financial Officer's organizations. Each business unit and infrastructure organization within NCR is responsible for helping to ensure legal and ethical compliance by everyone within his or her organization.

The Ethics & Compliance Officer supports the efforts of these organizations. The Ethics & Compliance Officer assists business unit, regional, and department heads in their efforts to ensure that NCR is following this code of conduct, corporate policies, and other applicable laws. When associates are not comfortable going to their manager, the Ethics & Compliance Officer or the NCR AlertLine anonymous reporting system serve as additional front-line resources if associates suspect compliance violations or have questions or concerns about compliance issues within NCR. The Law Department, Global Human Resources, Corporate Audit, the Corporate Controller's Division, and Corporate Security will support the efforts of the Ethics & Compliance Officer and Ethics & Compliance Committee.

Compliance with ethical and legal standards is everyone's responsibility. Moreover, associates who supervise others have a special responsibility to show, through words and actions, their personal commitment to the highest standards of integrity. In particular, managers are responsible for:

- Ensuring that their team members understand NCR Shared Values and the provisions of this code and providing them with additional training when appropriate;
- Taking reasonable steps to ensure that unethical conduct within their areas of responsibility is detected, addressed, and reported;
- Considering whether an associate follows our code before placing them in a position of responsibility; and
- Creating an environment that promotes compliance, encourages associates to raise policy questions and concerns, and prohibits retribution.

Every NCR associate must comply with all applicable laws, with the provisions of this code of conduct, and with other company policies and procedures. However, when working in a country where local laws conflict with the provisions of this code, associates should follow the local legal requirements.

Ultimately, our conduct is our own responsibility. None of us should ever commit dishonest, destructive, or illegal acts - even if directed to do so by a manager or co-worker - nor should we direct others to act improperly. Additionally, no associate should deviate from NCR's policies or instructions, even if doing so appears to be to the company's advantage. If you have questions or concerns about the application of a particular policy, check the policy manual or contact the policy owner.

Reporting Non-Compliance / NCR AlertLine

If you suspect, observe or learn of unethical or illegal conduct, you are required to immediately notify your manager, the Law Department, Human Resources, the Ethics & Compliance Office, or Corporate Security, as appropriate. You may also contact the NCR AlertLine to report anonymously any non-compliance issue. Within the United States, the NCR AlertLine number is 1-888-256-5678; outside the United States, the NCR AlertLine can be accessed by calling AT&T Direct. If you don't know the AT&T Direct number in your country, call your international operator and ask for AT&T Direct. Once you have accessed AT&T Direct, dial 888-256-5678.

NCR is committed to achieving compliance with all applicable securities laws and regulations, accounting standards, accounting controls and audit practices. You may contact the NCR AlertLine to report anonymously any non-compliance issue, including any complaint or concern regarding accounting, internal accounting controls or auditing matters. Complaints received by the company relating to these matters are handled, as appropriate, under procedures established by the Audit Committee of the NCR Board of Directors.

Reports of misconduct, including those made anonymously, will be investigated and feedback will be provided when appropriate. The law provides protection against retaliatory termination or adverse employment action by NCR, and its officers, associates and agents, against any employee who (i) provides information to a supervisor, the federal government or Congress that the employee reasonably believes relates to federal securities or anti-fraud violations, or (ii) files, testifies, participates in, or otherwise assists in any actions involving conduct that the employee reasonably believes relates to federal securities or anti-fraud violations. NCR will not condone reprisals against people who report suspected violations in good faith, and their identities will be protected to the maximum extent possible consistent with law and NCR policy.

Similarly, employees who deliberately misreport or are grossly negligent in their reporting of information will be subject to disciplinary action, up to and including termination.

For training on this topic, please see Ethics Alert Newsletter - "Reporting Ethics Violations".

How to Locate NCR Policies Referred to in this Code of Conduct

Several important NCR policies are referred to in this code of conduct. The complete text of these policies is easy to find on NCR's internal computer network. Follow these instructions for accessing corporate policies on HR eXpress:

1. Go to HR eXpress.
2. Click on "NCR Values and HR Policies".
3. Click on "Employee Policy Guide".
4. Click on the policy you wish to access.

WORKPLACE

Conflict Resolution

NCR recognizes that conflicts may arise among individuals who bring different skills, qualities, and personalities into the workplace. To keep all associates focused on our primary objective -- profitable growth -- early resolution of conflicts is in everyone's best interest. Throughout the company, NCR provides processes and procedures to help employees and managers resolve conflicts related to almost any workplace issue. We encourage all employees to seek information about conflict resolution from your manager or from your local Global Human Resources representative. Many NCR area and country organizations have dispute resolution processes spelled out in their employee guides or special booklets provided to each employee. In the United States, for example, Internal Dispute Resolution (IDR) provides a two-step dispute resolution process covering workplace issues for all non-bargaining unit employees.

For more information about IDR and conflict resolution at NCR, please see Corporate Management Policy 706: "IDR: Internal Dispute Resolution". For additional guidance, please see Questions and Answers or Your Responsibilities.

Workplace Violence

NCR is committed to providing a safe and secure work environment for its employees and visitors to NCR facilities. All individuals on NCR premises must treat one another with respect and courtesy. NCR will not tolerate acts or threats of violence. To support NCR's "zero tolerance" position toward workplace violence, both employees and visitors to NCR's facilities must report instances of actual or threatened violence on NCR premises.

NCR's Workplace Violence Policy provides guidelines on the appropriate actions if employees and visitors witness actual or threatened acts of violence. Depending upon the nature and severity of the incident, NCR will engage local law enforcement authorities, on-site security guards, community mental health advisors, or Human Resources Representatives to take prompt action to remove, discipline, counsel or prosecute any individual on NCR premises who poses a safety risk or commits an act of violence.

NCR prohibits the possession of weapons in the workplace.

For more information about Workplace Violence at NCR, please see Corporate Management Policy 708: "Workplace Violence" . For additional guidance, please see Questions and Answers or Your Responsibilities. For training on this topic, please see Ethics Alert Newsletter - "Workplace Violence".

Non-Discrimination

NCR is committed to providing a work environment free from any illegal discrimination based on race, color, religion, national origin, gender, age, disability, sexual orientation, gender identity or expression, marital status, or any other unlawful factor to the fullest extent required by local law. Decisions concerning hiring, performance appraisals, and promotions will be based only on those factors permitted by law. For example, in the United States, these factors are limited to an employee's qualifications, skills, and achievements.

To help achieve this, NCR complies with applicable human rights and employment-equity legislation. And, we do not discriminate unlawfully in any aspect of employment, including recruiting, hiring, compensation, promotion, or termination.

Equal Employment Opportunity / Affirmative Action

NCR affirms its commitment to providing equal opportunity to all employees and applicants for employment in accordance with all applicable laws, directives, and regulations of federal, state and local governing bodies and agencies. We want to make sure that as a company, we treat our employees with respect and that, when making any employment-related decision, we only consider relevant performance factors.

Specifically, it is NCR's policy to:

- Comply with both the letter and the spirit of all applicable laws and regulations governing employment;
- Provide equal opportunity to all employees and to all applicants for employment;
- Take appropriate affirmative action to make equal opportunity a reality;
- Make reasonable accommodations to the limitations of qualified employees or applicants with disabilities;
- Ensure that maximum opportunity is afforded to minority and women-owned businesses to participate as suppliers, contractors, and subcontractors of goods and services to NCR; and
- Comply with regulatory agency requirements and with federal, state, and local procurement regulations and programs .

Each employee has a responsibility to support the company's equal opportunity and affirmative action commitment. NCR managers should understand and carry out all aspects of our equal opportunity policy. Because nearly one half of all NCR employees live in the United States, it is particularly important that this code call attention to the U.S. Equal Employment Opportunity and Affirmative Action laws. Your local Global Human Resources representative and the Law Department can answer any specific questions that you may have.

For more information about non-discrimination at NCR, please see Corporate Management Policies 701: "Non-Discrimination-Affirmative Action," and 705: "Diversity in the Global Workplace." For additional guidance, please see Questions and Answers or Your Responsibilities.

Harassment

NCR does not tolerate conduct that creates an intimidating or offensive work environment. Such conduct includes, but is not limited to (a) racial, religious, sexual, or ethnic comments or jokes; (b) unwelcome sexual advances or inappropriate physical contact; or (c) unwelcome sexually-oriented gestures, pictures, jokes or statements.

If you believe that you are the victim of discriminatory or harassing conduct, report it to your manager or to your Global Human Resources representative. You may also report such conduct anonymously to the NCR AlertLine. All good faith complaints will be investigated promptly and without retaliation to the report originator.

For more information about zero tolerance of harassment at NCR, please see Corporate Management Policy 702: "Harassment." For additional guidance, please see Questions and Answers or Your Responsibilities. For training on this topic, please go to the Learning at Work website and select "Sexual Harassment" or see Ethics Alert Newsletter - "Sexual Harassment" and "Guide to Harassment Prevention".

Drug-Free Workplace

NCR is committed to a drug-free workplace. The misuse of drugs, both legal and illegal, while on company premises or during company business, is prohibited. NCR prohibits the use, possession, distribution, or sale of illegal drugs on its premises, in its vehicles, and while conducting NCR business. Furthermore, it is expected that employees will not conduct NCR business while under the influence of alcohol or illegal drugs. To promote this policy, to the extent permitted by local law, NCR requires a drug-screening test of all that apply for employment.

For more information about NCR's commitment to a drug-free workplace, please see Corporate Management Policy 219: "Drug-Free Workplace." For additional guidance, please see Questions and Answers or Your Responsibilities.

Consensual Relationships

NCR does not seek to insert itself into employees' personal relationships. However, when an employee has a significant personal relationship with another employee, complications can sometimes arise that may cause problems in the workplace. To minimize the chances of any adverse impact on the workplace, it is essential that employees conduct themselves in a fully professional, appropriate, and mature manner.

Additionally, employees with management responsibilities should be aware that having an intimate relationship with a lower-level employee in their organization might limit their ability to manage certain aspects of the business or otherwise cause problems in the workplace. Therefore, the company strongly discourages employees from living with, dating, or becoming involved in a romantic relationship with another person over whom the employee has supervisory, hiring, or disciplinary authority. Managers/subordinates who have or enter into such a relationship are required to immediately disclose the existence of the relationship to Human Resources or the Ethics & Compliance Officer, so that the company may take appropriate action to address issues that may arise.

Infrastructure Technology Resources

NCR's electronic information exchange and infrastructure systems are to be used in the furtherance of NCR business. No NCR associate, contractor, or partner should use these electronic resources to espouse personal, political, or religious views or to solicit support for any non-business cause or event. It is the responsibility of each individual to utilize the company's IT infrastructure resources in a responsible, ethical, and lawful manner. The use of IT resources to access any service on the public Interne is reserved for NCR associates and NCR contractors for the direct support of legitimate NCR business objectives.

Internet material that conflicts with NCR's Shared Values and is not compatible with a productive work environment should not be accessed. Access to such material can also result in potential legal liabilities to NCR. Examples of restricted sites include, but are not limited to, those with information or activities involving non-business related chat groups, pornography, criminal skills and illegal activities (including those related to the circumvention of network security controls), dating services and discussions, the purchase and use of illegal or recreational drugs, extreme or obscene material, gambling, hate speech, on-line sales of merchandise that is clearly not business related, sports, non- business travel, games, and entertainment.

For NCR associates, any communication relating to the company posted in Internet chat rooms is subject to NCR's policies on disclosure of confidential and proprietary information. Many Internet users who participate in investor-related discussion groups claim to have "inside" information about a company. Others post messages spreading innuendo and rumors. Associates who participate in these Internet discussion groups are reminded that they must adhere to the following rules based on NCR's policies and applicable law:

- Don't participate in chat rooms about NCR or companies doing business with NCR;
- Don't disclose material, inside information or other confidential and/or proprietary information about NCR or another company that you

learn of through your work at NCR; and

- Don't create or comment on rumors.

In addition, e-mail should not be used, among other things, to create or exchange offensive, harassing, obscene or threatening messages; to send proprietary registered information, or to create or exchange advertisements, solicitations, chain letters and other unsolicited non-business related e-mail.

For more information about the use of NCR's information technology resources, please see Corporate Management Policy 1404: "Information Technology Infrastructure Policy". For additional guidance, please see Questions and Answers or Your Responsibilities. For training on this topic, please see Ethics Alert Newsletter - "Email Misuse".

Employee Privacy / Employment References

NCR acquires and maintains only those employee records required for business, legal, or contractual reasons. We also limit access to these records to people who need the information for legitimate purposes. When asked to provide an employment reference or verification, NCR will only verify dates of employment and the position(s) held.

For more information about employee privacy at NCR, please see Corporate Management Policies 204: "Protection of Personal Data." For additional guidance, please see Questions and Answers or Your Responsibilities. Laws may vary significantly from country to country on matters of employee privacy and other workplace issues. For more information about workplace polices, please contact your local Global Human Resources representative or the Law Department.

CONFLICTS OF INTEREST

Conflicts of interest arise when the personal interests of an NCR associate influence, or appear to influence, his or her judgment or ability to act in NCR's best interest. In general, you must always act on an arm's length basis and in the best interests of NCR when conducting business with outside parties on behalf of NCR and avoid taking any actions or acquiring any interests that may make it difficult to perform your work for NCR objectively and effectively. You must also deal with all outside parties in a fair and objective manner, without favor or preference based upon personal considerations. You are encouraged to communicate potential conflicts of interest with your manager, Human Resources representative, the Law Department or the Ethics & Compliance Officer as described below. NCR's directors and many management level employees must confirm on an annual basis that they have no conflicts of interest in their relationships with NCR.

Competing or Doing Business with NCR

Our policy regarding competition with NCR is clear: you should not engage in activities that compete with NCR's current or prospective business activities, nor engage in activities that give the appearance that you are doing so. In addition, you may not act for NCR and directly or indirectly on the behalf of an affiliated firm that does business with NCR or is seeking to do business with NCR (such as a current or potential customer, supplier or strategic partner). Interests in affiliated firms or competitors that may create conflicts of interest include, among other things, a major equity investment, a close relative with a position at such firm, or a consulting or part-time position with such firm.

Improper Personal Benefits

NCR's associates receive compensation and reimbursement of expenses in the ordinary course of its business. Conflicts of interest may arise, however, if associates receive improper personal benefits from the company. To avoid even the appearance of impropriety, personal loans or guarantees of personal obligations by the company are prohibited. Examples of other improper personal benefits that may give rise to a conflict of interest include personal uses of company property that are not permitted under NCR's policies, as well as personal travel expense, personal entertainment and related expenses that are paid by NCR, among other things.

Gifts and Favors, Entertainment, and Bribes

Gifts and Favors

Gift-giving practices vary around the world. Generally, gifts are given to create goodwill and, in some parts of the world, declining a gift may insult the giver. On the other hand, accepting a gift may create a conflict of interest or the appearance of a conflict. To avoid any conflicts of interest, do NOT (1) solicit gifts from anyone doing business with NCR (such as customer, supplier or strategic partner), (2) accept gifts that are expensive or likely to influence your judgment, (3) accept - under any circumstances - payments, loans, kickbacks, special privileges, or services from anyone in return for NCR business, or (4) give - under any circumstances - payments, loans, kickbacks, special privileges, or services to current or potential customers, suppliers or strategic partners.

If NCR's Conflicts of Interest policy requires you to decline a gift or favor, you should politely explain that NCR policy prohibits you from accepting it. Also, please keep in mind that in parts of the world where gift-giving is common practice and not accepting a gift could reflect badly on NCR, it may be appropriate to accept an inexpensive gift, as long as doing so would not violate any laws or in any way discredit NCR, and the gift is unsolicited and not given to influence your judgment. In such circumstances, you may accept an inexpensive gift on behalf of NCR; however, you must immediately notify your manager and relinquish the gift to NCR.

Entertainment

Except when working with government employees, you may accept inexpensive meals or other modestly priced forms of entertainment from outside parties as a courtesy extended during the normal course of business. Employees who work with government employees are responsible for knowing the local rules and regulations regarding government employee buyer-and-seller relationships.

Bribes to Obtain or Retain Business

Providing favors, money, inappropriate gifts, or anything else of unusual or expensive value to obtain or retain business may be considered bribery. Bribery violates NCR policy and the laws of many of the countries where NCR conducts business. You may not accept or give bribes in any form - regardless of whether this is culturally acceptable.

For more information about conflicts of interest and NCR, please see Corporate Management Policy 901: "Conflicts of Interest." For additional guidance, please see Questions and Answers or Your Responsibilities. For training on this topic, please see Ethics Alert Newsletter - "Conflicts of Interest".

For more information about NCR's position on gifts, entertainment, and favors, please see Corporate Management Policies 904: "Standards for Business Conduct (Foreign Corrupt Practices Act)," and 901: "Conflicts of Interest." For additional guidance, please see Questions and Answers or Your Responsibilities. For training on this topic, please see Ethics Alert Newsletter - "Conflicts of Interest". The Law Department and Global Indirect Procurement can provide further information.

NCR employees involved in government contracts should seek further guidance regarding gifts, entertainment, and favors from the Law Department.

PROTECTION OF COMPANY ASSETS

Company Funds and Property

All NCR associates are responsible for protecting company assets from loss, theft, or unauthorized uses. Company assets include trademarks and service marks; company time; money and charge cards; land and buildings; records; vehicles; equipment, including fax machines, copiers, and telephones; computer hardware and software; Internet, intranet, and other networks; scrap and obsolete equipment.

NCR's electronic information exchange systems are to be used in the furtherance of NCR business only. Incidental use of NCR computer resources for purposes such as Internet access may be permitted at management's discretion. No NCR associates should use the electronic information exchange systems to espouse personal, political, or religious views or to solicit support for any cause or event. NCR has the right to review any material sent, received, or stored on its electronic information exchange systems.

Corporate Opportunities

All NCR associates are prohibited from taking for themselves personally opportunities that are discovered through the use of corporate property, information or position; using corporate property, information or position for personal gain; and competing with the company. Associates owe a duty to the company to advance its legitimate interests whenever the opportunity to do so arises.

Proprietary Information

Proprietary information is knowledge that NCR has determined must not be disclosed to others, except as required by law or as permitted by company policy. Proprietary information includes all non-public information that might be of use to NCR's competitors, or harmful to the company or its customers such as, among other things:

- Research and development, including inventions, patent applications, and engineering and laboratory notebooks;
- Employee, customer, stockholder, and supplier information;
- Network management information;
- Confidential manufacturing processes or procedures;
- Business strategies and results, information about unannounced products or services, concepts and designs, marketing plans, pricing, and financial data;
- Confidential organizational information, including organizational charts;
- Confidential information NCR obtains from third parties;
- Information concerning potential acquisitions or divestitures; and
- Company financial outlooks and projections.

Disclosure of proprietary information could damage NCR competitively or financially. In some cases, its release could also embarrass our associates, customers, suppliers, or partners. Disclosure may also be prohibited simply because the information belongs to others and NCR has agreed to keep it private. When a legitimate business need to disclose proprietary information outside NCR arises, a legally binding non-disclosure agreement may be appropriate. Consult the Law Department in these situations.

Accuracy of Company Records

NCR must have accurate and complete records to meet financial, legal, and management obligations. This information is used to fulfill our obligations to customers, suppliers, shareholders, associates, and government agencies. Company records include general and subsidiary ledgers, employee and payroll records, vouchers, customer invoices, time reports, contracts, billing records, benchmark and measurement data, employee and customer survey results, performance and production records, and other essential data for financial and business decisions. You should follow the company's internal controls and procedures to ensure that (1) all transactions are properly authorized; (2) NCR's assets are safeguarded against unauthorized or improper use; and (3) all transactions are properly recorded and reported in accordance with NCR's policies.

Financial Reporting

NCR expects ethical conduct in the practice of financial management and requires its Chief Executive Officer and all of its finance and administration employees to affirm annually their compliance with NCR's Code of Conduct and the Code of Ethics for Finance and Administration Employees. NCR's financial reporting must be timely, accurate, and supported by appropriate underlying records and documents. Moreover, all information required to be disclosed by the company in the reports that it files or submits to the United States Securities and Exchange Commission must be properly recorded, processed, summarized and reported to NCR's senior management as appropriate to allow timely decisions regarding required disclosure. Senior financial management should be informed of all material non-financial information, as well as financial information, impacting NCR.

The Corporate Finance & Accounting Policy Manual and the Finance & Administration section of the Corporate Management Policy Manual provides detailed information specific to protecting NCR's information and other assets. Employees should be familiar with all policies, but specifically with Corporate Finance & Accounting Policies 112: "Signature Authorization for Expenditures," and 1402: "Protecting Information Within NCR." Additionally, refer to the Corporate Finance & Accounting Policy Manual's 1800 Series of policies regarding Internal Accounting Control (IAC). NCR's commitment to the highest standards of integrity is further evidenced through compliance certification of its Chief Executive Officer and its financial organization employees at www.fei.org. For additional guidance, please see Questions and Answers or Your Responsibilities.

The Chief Financial Officer's organization (937-445-7801) can be contacted for more guidance.

Investment Rules and "Insider Trading"

Securities laws and NCR policy prohibit associates from trading, directly or indirectly, in NCR securities while in possession of material inside information about the company. This prohibition also includes trading the securities of other publicly held companies on the basis of material inside (or non-public) information. It is also illegal and against company policy to "tip" others by disclosing material inside information about NCR or another company to your friends, family members, or other third parties.

Material inside information is generally defined as any information that has not been widely disclosed to the public and is likely to influence an investor to buy, sell, or hold NCR stock. Material inside information can take many forms. Examples include acquisition or divestiture plans; actual or projected financial information; new contracts, products, or discoveries; major organizational changes; or other business plans. Keep in mind that often your job may provide you with material inside information about a company other than NCR. To comply with NCR's insider trading policy you should (1) never provide material inside information about NCR to others who might buy or sell stock based on that information; (2) take precautions to restrict access to material inside information about NCR or another company to those associates who "need-to-know" that information for business reasons; (3) avoid advising or encouraging another person to trade in a company's stock if you have material inside information about that company; and (4) never buy or sell NCR securities or another company's publicly traded stock while in possession of material information that has not been released to the public.

Because violations of insider trading securities laws can result in serious financial and criminal penalties, NCR's policy also prohibits certain transactions to avoid even the appearance of impropriety. First, because of the nature of their positions within NCR, certain NCR associates ("restricted insiders") may not purchase or sell NCR securities during defined "blackout periods" before and after the announcement of the company's annual and quarterly earnings results unless such trades occur under a company-approved, pre-arranged trading plan. This restriction includes changing your investment direction in the Employee Stock Purchase Plan (by increasing or decreasing the amount of NCR stock you purchase) or the company's Savings Plan (by investing more or less money in NCR securities) during a blackout period. Second, all NCR associates are prohibited from trading in NCR derivative securities at any time. Derivative securities generally include "put" and "call" options (publicly available "rights" to sell or buy securities within a certain number of months at a specified price) and "short sales" (selling borrowed securities which the seller hopes can be purchased at a lower price when they are due for delivery). Finally, associates cannot engage in any transaction where they may profit from the short-term speculative swings in the value of NCR securities.

For additional information regarding NCR's insider trading policy, please see Corporate Management Policy 922: "Trading in NCR Securities,". For additional guidance, please see Questions and Answers and Your Responsibilities. Additionally, the Law Department can provide further guidance.

CONDUCT IN THE MARKETPLACE

NCR and its associates should endeavor to deal fairly with the company's customers, suppliers, strategic partners, employees and competitors. This means that we will not take advantage of anyone through misrepresenting facts, manipulation, fraud, abuse of confidential information, or any other unfair practice.

Private-Sector Customers

NCR can succeed only by exceeding customer expectations with our products and services and by fulfilling our commitments.

Government Customers

Special care must be taken when dealing with government customers. Activities that might be appropriate when working with private-sector customers may be considered improper and even illegal when dealing with government employees.

For additional information, employees who work with the U.S. government should consult the NCR Corporate/Personal Integrity Program (C/PIP) manual. Employees, including those who work with other governments, may also contact the Law Department for more information.

Suppliers

NCR chooses suppliers based on merit, taking into account factors such as price, quality, delivery capability, technology, design and reputation for service and integrity.

Reciprocal Agreements

It is NCR policy to refrain from entering into reciprocal buying or selling arrangements - i.e., an agreement that a first party will buy from the second party, on the express condition that the second party will buy from the first party.

For additional information about relationships with NCR customers and suppliers, please see Corporate Management Policies 901: "Conflicts of Interest," 104: "Multinational Marketing," 904: "Standards for Business Conduct (Foreign Corrupt Practices Act)," 905: "Product Promotion Material," 913: "Contracts", 1016: "NCR Multinational Account Marketing Policy - Intellectual Properties", and CFAP 815, Global Procurement Policy." In addition, the Purchasing and Supplier Relations (Global Indirect Procurement) manual can provide additional counsel. For additional guidance, please see Questions and Answers and Your Responsibilities.

Competitors

Many countries have antitrust or competition laws designed to benefit consumers by promoting competition. While varying in scope, these laws prohibit monopolization and illegal agreements among competitors. NCR's policy is to comply with the antitrust and competition laws of all countries where we do business.

Copyrights and "Fair Use"

International copyright laws protect original expression such as written materials, works of art and music. These laws prohibit the unauthorized duplication, distribution, display, and performance of protected expressions. In particular, NCR employees should be careful to avoid using unlicensed software, which would constitute copyright infringement. Copyright infringement can result in legal penalties for our company and for individuals.

For more information about copyrights and NCR, please see Corporate Management Policy 906: "Copyright Policy."

GLOBAL COMMERCE

Export Controls

High-tech companies such as NCR must be concerned with export control laws regulating the export and re-export of its products. As a U.S. company, NCR must be particularly aware of U.S. export controls. Under export control laws, hardware, software, and technical information may be controlled when shipped, carried, or transmitted from one country to another, or even when released within one country to a citizen of another country. All forms of communication (e.g. telephone conversations, faxes, electronic mail, etc.) that contain technical information, when sent to another country or to a citizen of another country, may also be considered a controlled export.

Export control laws are relevant to NCR sales organizations and others that support the sales process since they may restrict the customers or countries to which our products may be sold.

Export laws typically require consideration of the following questions:

1. What is the commodity, software, or technical information to be exported?

2. Where will the product be exported?

3. Who is the intended end-user?

4. How will the product be used?

The Corporate Export Compliance organization is responsible for coordinating NCR's compliance with export control laws. In addition, all organizations are responsible for designating an Export Compliance Manager to implement NCR's export compliance program within their organization.

For more information about export controls and NCR, please contact the Corporate Export Compliance organization at 937-445-2070, and see Corporate Management Policy 919: "Export Control Compliance." For additional guidance, please see Questions and Answers or Your Responsibilities. For training on this topic, please go to the Learning at Work website and select "Export Compliance".

Import Laws

Most countries, including the United States, have laws controlling imports and regulating import duties on merchandise imported into that country. These laws typically govern what can be imported into the country, how the articles must be marked, how the imported merchandise must be valued, and what duties must be paid. NCR's compliance with import laws is coordinated through the Corporate Import/Export Compliance organization. All organizations that are involved in import activities should designate an Import Compliance Coordinator within their organization.

For more information about import controls and NCR, please contact the Import Compliance organization at 937-445-1131, and see Corporate Management Policy 917: "Import Compliance".

International Economic Boycotts

As a U.S. company, NCR must comply with U.S. regulations prohibiting the participation in economic boycotts not condoned by the U.S. government, such as the Arab League boycott of Israel. NCR must report to the U.S. government any boycott-related requests it receives, even if NCR refuses to honor the request. Boycott-related requests can be received orally or in bid invitations, tender documents, purchase orders, contracts, letters of credit, shipping documents, or other written communications.

U.S. anti-boycott regulations prohibit NCR from:

- Refusing to do business with a boycotted country, its nationals, or its businesses;
- Discriminating for boycott purposes against any person on the basis of race, religion, sex or national origin;
- Furnishing information about NCR's business relationship with a boycotted country, its nationals, or blacklisted companies or persons;
- Furnishing for boycott purposes information about any person's race, religion, gender, national origin, or charitable activities;
- Implementing or honoring letters of credit containing prohibited boycott conditions.

For more information about NCR's anti-boycott policy, please see Corporate Management Policy 903, "Anti-boycott Law Compliance." For additional guidance, please see Questions and Answers or Your Responsibilities.

Foreign Corrupt Practice Act (FCPA)

As a U.S. company, NCR must comply with the provisions of the U.S. Foreign Corrupt Practice Act. The FCPA prohibits NCR from providing or promising money or anything of value to government officials outside the United States for the purpose of obtaining or retaining government business. (Such conduct is also prohibited within the United States under other U.S. laws, including criminal statutes.) It is equally impermissible to use an intermediary (such as an agent) to provide such payments. To ensure that payments are legitimate, the FCPA requires NCR to maintain accurate and complete accounting records.

Minor payments to government officials to expedite the performance of routine governmental actions (sometimes referred to as facilitating payments) are not prohibited under the FCPA. Because the line between a facilitating payment and a violation of the law may not be clear, you should check with the Law Department before making any such payments.

For more information about NCR policy and the provisions of the U.S. Foreign Corrupt Practices Act, please see Corporate Management Policy 904: "Standards for Business Conduct (Foreign Corrupt Practices Act)." For additional guidance, please see Questions and Answers or Your Responsibilities. For training on this topic, please go to the Learning at Work website and select "Foreign Corrupt Practices Act" or see Ethics Alert Newsletter - "Foreign Corrupt Practices Act".

ENVIRONMENT/OCCUPATIONAL SAFETY & HEALTH/PRODUCT SAFETY

Environment

It is NCR's policy to comply with applicable laws and regulations related to protecting the environment and to minimize undesirable environmental impacts from our business operations.

For more information about environmental protection and NCR, please see Corporate Management Policy 608: "Environmental Protection."

Occupational Safety & Health

It is NCR's policy to comply with applicable health and safety regulations related to protecting human health and providing working conditions that are free from recognized hazards that may cause death, physical harm, or illness.

For more information about health & safety and NCR, please see Corporate Management Policy 602: "Occupational Safety & Health."

Product Safety

NCR is committed to providing products that are safe for our customers to use and that comply with applicable laws and accepted industrial and governmental standards.

For more information about product safety and NCR, please see Corporate Management Policy 1303: "Product Certification and Compliance."

For more information about specific environmental, health and safety related initiatives, please contact your local or business unit Environmental & Safety Manager or the Corporate Environment/Occupational Safety & Health/Product Safety organization at 937-445-3017. For additional guidance, please refer to Questions and Answers or Your Responsibilities, or contact the Law Department.

COMMUNITY ACTIVITY

Charitable Contributions

Around the world, NCR encourages employees to participate in charitable organizations and community activities. Employees should ensure, however, that no conflict of interest, either actual or potential, exists between their NCR employment and their duties in public or civic affairs, whether elective or appointed, paid or voluntary. While NCR employees are encouraged to become actively involved in community activities, all employee participation, whether in the form of time, money, or other resources, must always be voluntary.

Political Contributions

NCR supports associate participation in the political process, for example, voting in elections or making personal contributions to support candidates or parties of their choice. Associates may express their views on government, legislation, and other matters of local and national interest. Such activities, however, must be undertaken on an associate's own time and expense. Further, NCR will not dictate to an associate or anyone else which political party or view to support. Under no circumstances will any associate be compensated or reimbursed for personal political contributions or be given or denied employment or promotion as a result of making, or failing to make, a political contribution.

In many countries where NCR does business, laws prohibit NCR from making direct or indirect contributions to a political party or candidate in connection with a government election. This includes contributions in the form of cash, goods, services, loans, property, or the use of NCR's facilities. (In the United States, this prohibition is not intended to interfere with NCR's administration of the NCR Citizenship Fund, which accepts voluntary personal contributions from eligible, salaried employees). As a result, do NOT (1) commit company funds or other assets to political candidates, parties or other political activities, including public policy initiatives or referendums, without the prior approval of NCR's Vice President, Government Affairs; (2) provide or promise money or anything of value to a government official to obtain or retain business; or (3) permit company facilities or equipment to be used for political activities without the prior consent of NCR's Vice President, Government Affairs.

The NCR Government Affairs office in Washington, D.C., can provide further guidance about political activity in the United States and the European Community, and can be contacted at 202-347-6745. For additional guidance, please see Questions and Answers or Your Responsibilities. For information about political activities in other countries, contact the Law Department.

IN SUMMARY

Every NCR employee is responsible for upholding NCR Shared Values and following this code of conduct. In living up to this responsibility, we may sometimes want the help of others in our decision-making. Most often, your manager will be your best source for counsel; however, there may be times when you require input from others. In addition to contacting those persons or organizations referred to throughout the code (including the Law Department, the Ethics & Compliance Office, and Corporate Security), questions or concerns about business practices and behaviors can be clarified through NCR AlertLine.

NCR AlertLine

In the U.S., dial 1-888-256-5678.

Outside the U.S., call AT&T Direct; once you have accessed AT&T Direct, dial 888-256-5678.